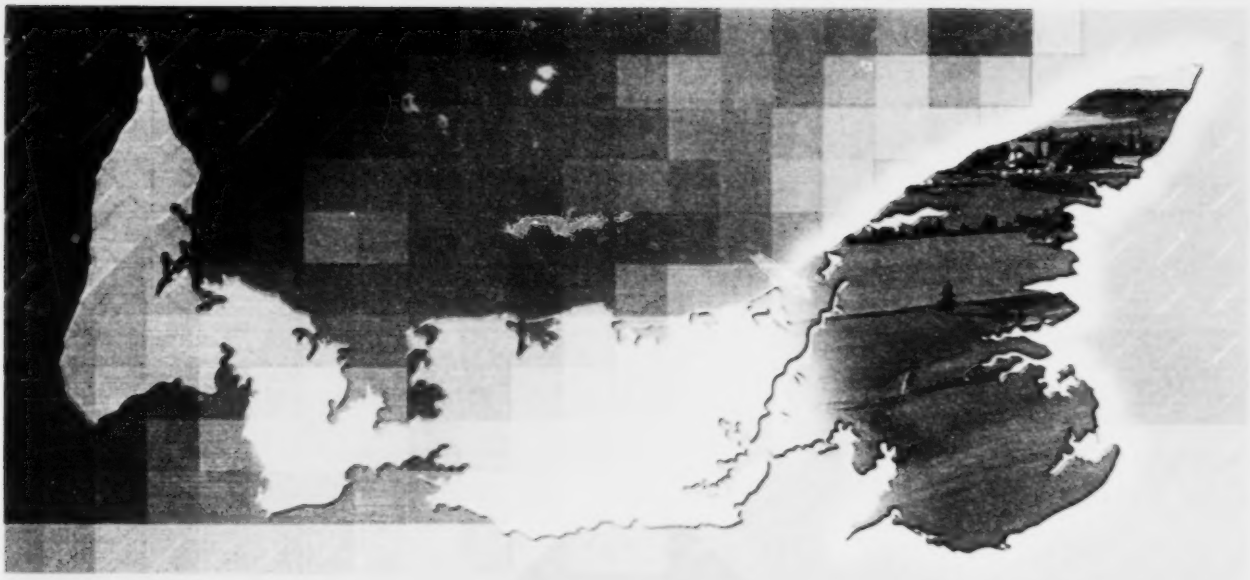


Five Year Economic Development

STRATEGY

For Eastern Prince Edward Island

Building on the Momentum

Canada

March 2002

Report prepared for the
Atlantic Canada Opportunities Agency by
MacIssac Younker Roche Soloman and
MacPherson Roche Smith & Noonan

TABLE OF CONTENTS

		PAGE
1.0	EXECUTIVE SUMMARY	1 - 13
2.0	PROJECT BACKGROUND AND REVIEW OF 1995 FIVE YEAR ECONOMIC DEVELOPMENT STRATEGY	14 - 19
	2.1 Description Of The Assignment	
	2.2 Approach To Conducting The Assignment	
	2.3 Terms Of Reference	
	2.4 Review Of The 1995 Five Year Economic Development Strategy for Easter P.E.I.	
3.0	APPROACH TO DEVELOPING THE STRATEGY	20 - 26
	3.1 Overview	
	3.2 The Information Gathering Process	
	3.3 Key Issues and Recurring Themes	
4.0	SOCIO ECONOMIC CONSIDERATIONS	27 - 32
	4.1 Introduction	
	4.2 Population Growth Rates and Age Distribution	
	4.3 Education	
	4.4 Occupations	
	4.5 Major Occupations in Town/Villages	
	4.6 Federal Government Presence	
5.0	SECTOR PROFILES AND STRATEGIC DIRECTION	33 - 34
	5.1 Overview	
	5.2 Mature Sectors of Atlantic Canada's Economy	
	5.3 Emerging Sectors of Atlantic Canada's Economy	
	5.4 Strategic Direction	
6.0	PROFILE OF RESOURCE-BASED SECTORS	35 - 44
	6.1 Agriculture and Agri-Foods	
	6.2 Fishery and Fish Processing	

6.3 Aquaculture
6.4 Forestry and Wood Products
6.5 Bio-Resources
6.6 Economic Development Challenges for Resource Based Economies

7.0 PROFILE OF TOURISM SECTOR 45 - 51

7.1 Tourism - A Growing Sector
7.2 Importance of the Touring Market
7.3 Emerging Trends

8.0 TECHNOLOGY SECTOR AND KNOWLEDGE-BASED ECONOMY ISSUES 52 - 58

8.1 The Knowledge-Based Economy
8.2 A P.E.I. Perspective-Current Developments/ Trends/Challenges
8.3 Information Technology Sector Opportunities
8.4 Importance of Communications Infrastructure
8.5 Importance of Post-Secondary Educational Institutions in the Region

9.0 RECOMMENDED FIVE YEAR ECONOMIC DEVELOPMENT STRATEGY 59 - 63

9.1 Issues of Fundamental Importance
9.2 Strategic Focus on Infrastructure Strengths of the Region
9.3 Strategic Focus on Adding Value to Mature Resource-Based Sectors
9.4 Strategic Focus on New and Emerging Sectors Leveraged from Existing Strengths
9.5 Strategic Focus on Projects/Initiatives with Significant Ability to Leverage Private Sector Investment and Additional Economic Activity
9.6 Strategic Focus on Knowledge
9.7 Strategic Focus on Attracting New Business and Maintaining Economic Momentum
9.8 Strategic Focus on the Interdependency of the Environment and the Economy

103-03865/

10.0 STRATEGIC INITIATIVES AND PROJECTS 64 - 96

10.1 Introduction
10.2 A Series of Capital Investments to Establish Touring Destinations
10.3 A Technology in Tourism Pilot Project
10.4 Montague Garden of the Gulf Museum and Waterfront Project
10.5 Continuing the Souris Downtown Revitalization and a Marina Development Project
10.6 Cardigan Area Interpretive Centre Project
10.7 St. Peters Development Corporation Quigley Hall and Community Infrastructure Project
10.8 Building Smarter Communities - A Five Point Plan
10.9 Initiatives to Enhance Diversity in Resource Based Sectors
10.10 Value Added Processing Initiatives
10.11 Centre of Innovation for Fin Fish Aquaculture
10.12 Resource Sector Apprenticeship Pilot Initiative
10.13 Initiative to Accelerate Development of Area Business and Industrial Parks

11.0 RECOMMENDATIONS FOR IMPLEMENTING THE FIVE YEAR STRATEGY 97 - 99

11.1 Community Leadership
11.2 Establishment of an ACOA Sub-Regional Office in Eastern P.E.I.
11.3 Remandating Active Communities Inc.
11.4 Conclusion

Appendix 1 - Youth of Eastern P.E.I. Survey
Appendix 2 - Quotes from Questionnaires and Interviews

1.0 EXECUTIVE SUMMARY

1.1 AN IMPROVED ECONOMY AND A BRIGHTER FUTURE

The economic landscape of Eastern Prince Edward Island ("Eastern P.E.I." or the "Region") has improved substantially over the past six years, due at least in part to the largely successful implementation of the 1995 Economic Development Strategy. The sense of frustration and despair existing in the Region in 1995 appears to have been replaced, for the most part, by a sense of achievement and optimism for the future. Through a combination of effective government funding and resource allocation, and private sector initiative and investment, the Region has achieved significant and sustained economic growth. Since 1995 Eastern P.E.I. has lowered its unemployment rate, raised its education and literacy levels, maintained its vital ferry and port services, fostered the inception and growth of new businesses and industries, upgraded and improved its basic infrastructures, and seen the expansion of many of its existing businesses and industries. Key economic sectors including agriculture, tourism, manufacturing and food processing have been bolstered by exciting new projects and initiatives which have served to instill more positive attitudes in the residents and communities of Eastern P.E.I.. There is a new sense of optimism for the economic future of the Region.

1.2 STRATEGIC CHANGES IN DIRECTION

Eastern P.E.I. has always been dependent on its key resource-based sectors (agriculture and the fishery) as the pillars of its economy. These sectors will undoubtedly continue to provide a strong foundation for the Region's economy. However, it is now clear that continued reliance on resource harvesting and primary processing alone cannot generate growth in the Region's economy in the long run. There is a compelling need to add more value to the Region's raw resources if sustainable economic growth is to be achieved.

A strategic change in economic development policy emphasis and direction is required. All levels of government and the private sector must now focus their energies and resources on propelling the Region's resource-based economy into the 21st century. This will require bold policies and a commitment of long-term funding for education, skills training, research, information technologies and the commercial development of the innovative best practices and products necessary to add significant value to the Region's strong resource base.

In the short-term, investments in education, research and innovation are often neither financially rewarding nor politically gratifying. Patience and perseverance are required from both the public and private sectors to "stay the course" in building the knowledge-based infrastructure and culture required to transform and add value to the Region's resource-based economy. This may, in some instances, take 5 - 10 years to yield visible results and sustainable economic growth in the Region.

1.3 DESCRIPTION OF ASSIGNMENT AND TERMS OF REFERENCE

MacIsaac Younker Roche Soloman and MacPherson Roche Smith & Noonan were contracted by the Atlantic Canada Opportunities Agency (ACOA) to research and prepare a Five Year Economic Development Strategy for Eastern Prince Edward Island. In summary, the terms of references for this assignment were as follows:

- Review and update the Five Year Economic Development Strategy for Eastern Prince Edward Island, dated March 31, 1995 with respect to socio-economic data, progress made in promoting and achieving sustainable economic development, progress with respect to fundamental issues including education and literacy, ferry services and ports services, and implementation experience and capacity.

- Identify and prioritize sectors with high potential for sustainable economic development, and identify viable projects/initiatives within those sectors.

- Analyze public and private sector financing requirements and the viability of strategically recommended projects/initiatives.

- Develop and recommend effective economic development strategies and effective implementation strategies.

- Assess the adequacy, effectiveness and implementation capacities of existing community-based organizations, the adequacy and efficiency of the federal government's presence in the Region, and recommend realistic measures to enhance the federal government's presence to more effectively serve the Region.

1.4 SOCIO-ECONOMIC PROFILE

Eastern P.E.I. continues to lag behind the remainder of P.E.I. and the rest of Canada in comparisons of many socio-economic indicators, although in some areas the gaps are closing. Some key findings were as follows:

- According to the 2000 Census (Statistics Canada), from 1996 to 2000, the overall population of Eastern P.E.I. grew by 0.3% however the population of Kings County declined by 1.9% while the population of Eastern P.E.I. outside the Kings County boundary increased by 3.4%.

- The Town of Stratford experienced growth of 7.6% from 1996 to 2000, while the populations of Montague and Souris declined by 2.5% and 3.5%, respectively.

- Most communities in Eastern P.E.I. have a higher percentage of residents over the age sixty-five versus the rest of P.E.I. and Canada. The notable exceptions to this are Stratford, Georgetown and Cardigan which are all lower than the provincial and national averages.

- In Eastern P.E.I. only 46% of adults have an education level greater than high school.

- P.E.I.'s high school drop-out rate is 16.4% compared to 12.0% for the rest of Canada. The drop-out rate for females in P.E.I. is consistent with other areas at 9.2% however the drop-out rate for males in P.E.I. is much higher at 22.3%.

- During the past five years the federal government presence in the Eastern Region of P.E.I., has grown significantly, however it still remains far behind both the Western Region and the Greater Charlottetown Area, as illustrated below:

Summary of Federal Government Jobs in P.E.I. by Region

	Estimated number of Jobs - 1995		Estimated Number of Jobs - 2001	
Region				
Greater Charlottetown Area	1,600	67%	2,070	69%
Western Region	750	31%	810	27%
Eastern Region	50	2%	120	4%
	2,400	100%	3,000	100%

1.5 DEVELOPING THE STRATEGY

The economic development strategy presented in this report was developed through extensive local input in the form of economic development survey responses, round-table discussions, private interviews and written submissions. A number of recent studies commissioned by community economic development organizations were examined and provided valuable insights.

In addition to broad-based local input, the Consultants analyzed economic development strategies being suggested and promoted for the Atlantic Region as a whole, by both the public and private sectors. A conscious effort has been made to dove-tail the economic development strategies recommended for Eastern P.E.I. with those being recommended and implemented for the Atlantic Region to take advantage of the synergistic effects of a consistent regional strategy and the flow of government and private sector funding associated with regional strategies.

1.6 ISSUES OF FUNDAMENTAL IMPORTANCE

Several key issues were identified as being of such fundamental importance that executing a successful economic development strategy for Eastern P.E.I. would not be possible unless these issues were adequately addressed, including:

- As a minimum, vital ferry services and ports services must be maintained at present levels.
- Substantial and continuous investment must be made in measurably raising education and literacy levels and improving job skills.
- Substantial and continuous investment must be made in integrating skills and knowledge development initiatives with realizable strategic development projects/initiatives.

1.7 THE NEED TO DEVELOP STRATEGIES TO HELP OUR RESOURCE-BASED BUSINESSES DIVERSIFY AND BECOME MORE INNOVATIVE

A summary of the challenges and issues in our resource-based sectors follows:

- The economy of Eastern P.E.I. is heavily dependent on the sale of raw and semi-processed resources, many of which are in limited or diminishing supply.

- Business enterprises built on harvesting and semi-processing potatoes, lobster, mussels and wood products have become riskier ventures because of volatile international market conditions, inconsistency of supply, environmental challenges, trade barriers, foreign protectionism and disease/food quality challenges.

- Local producers and processors have been highly resourceful in developing and implementing process innovations and new technologies to improve the efficiency of growing, harvesting and processing practices, however, these innovations have focused primarily on cost minimization to maintain bottom-line profitability, rather than on new product development and innovation.

- Increasingly strong international competition driven by productivity gains, often induced by low wage rates and high subsidies, has substantially eroded profit margins on most commodities.

- Sustainable growth can only be achieved by utilizing a much higher percentage of these locally produced resources in value-added production.

- Environmental concerns continue to add risk to all primary production and processing business operations through increased capital and operating costs and increased exposure to liability.

- Future economic growth derived from natural resources will require the application of new technologies and significant public investment in research and knowledge/skills development. Substantial private risk capital and government investment will be required to develop new resource uses, new products, new research initiatives and new business models to access new markets through the use of advanced communications.

- P.E.I. has strong research, training and educational facilities related to the established resource based sectors of its economy, including the P.E.I. Food Technology Centre, UPEI/Atlantic Veterinary College, AVC Inc., Holland College and the Canadian Food Inspection Agency - Agriculture and Agri-Food Canada. These are the "tools of transformation" and must be utilized to the fullest extent possible.

- The major challenge is to determine how best to accelerate the creation of knowledge-based businesses which add value to traditional resources and/or utilize the Region's diverse and unique inventory of bio-resources. Creating new wealth from these scarce resources, without negatively impacting the environment, will require bold policies and substantial, high-risk investments and initiatives by both government and the private sector.

1.8 TOURISM - A GROWTH SECTOR

Eastern P.E.I. has experienced a dramatic surge in the number of overnight pleasure visitors, growing from 83,000 in 1997 to 141,000 in 2001, an increase of 70%. During the same period visitor expenditures have more than doubled to over $4.0 million in 2001. This growth is quite remarkable in that, during the same period, the number of pleasure visitors to all of P.E.I. declined by about four percent. Eastern P.E.I. has experienced strong growth from all key markets including the Maritimes, Quebec, Ontario, and New England.

Recognition of several emerging trends is key to developing an appropriate strategy to ensure continued growth in the Region's tourism sector, including:

- The new National Park in Greenwich will provide opportunities to increase tourism expenditures throughout the Region.
- Tourism can be enhanced and economic benefits increased by improving existing locations and linkages between locations. Creating new destinations is difficult and costly.
- The demand for active vacations, educational travel and experience-based trips will continue to grow.
- Vacationers will demand more unique experiences providing opportunities focused on the wonders of our natural environment.
- There will be a growing demand for specialized activities such as bird watching, fishing excursions and eco-tourism adventures.
- Opportunities will emerge in the tourism sector to provide personalized touring packages through the use of user-friendly, interactive computer technology.

These trends can result in new opportunities for Eastern P.E.I., however, new attitudes must be cultivated and new strategic directions taken if the Region is to continue to build on its inherent strengths and fully capitalize on these emerging trends.

1.9 THE TECHNOLOGY/KNOWLEDGE-BASED ECONOMY

The "old" economy was driven by natural resources, physical assets, relatively unskilled labour and industrial plants. The "new" economy is driven by specialized knowledge, speed, innovative business models and the use of new technologies and processes. In

the coming decade, the distinction between the "old" and "new" economy businesses will become increasingly blurred as technology, innovation and knowledge bring the traditional and emerging sectors of the economy together. A development strategy intended to generate sustainable economic growth must consider the following factors:

- The economy and its marketplaces are now undeniably global.
- The internet will continue to change the manner in which business is conducted by providing instant international market reach to all businesses.
- Knowledge and talent will be the most valuable business resources and the importance of education will increase yet again.
- The pace of change will continue to be rapid; turmoil in the marketplace will continue and competition will increase.
- Entrepreneurial and innovative minds will seize opportunities and create wealth.
- Rural communities will face even greater challenges as technology infrastructure and human capital emerge as the basic building blocks for successful economic development.

To close the knowledge and technology gaps in the Region (as compared to more advanced economies) initiatives must be taken to:

- Address the "digital divide" issue (i.e. the widening technology/communications infrastructure gap between urban and rural economies) immediately because a first rate telecommunications system is required in rural areas if they are to compete effectively.
- Increase the presence of P.E.I.'s educational and research institutions in the Region and,
- Leverage additional technology/research investment on the presence of the Correctional Services Canada Addictions Research Centre.

1.10 OVERVIEW OF RECOMMENDED FIVE YEAR ECONOMIC DEVELOPMENT STRATEGY

- **Strategic focus on building on the infrastructure strengths of the Region,** including built facilities, landscapes, coastlines, human resources and natural resources from the land and sea.

- **Strategic focus on building the Region's knowledge base** through continuous investment in higher education, literacy and job skills, complemented by initiatives to attract educational and research/training facilities to physically locate within the Region.

- **Strategic focus on adding value to mature resource-based sectors,** including the agriculture, fishery and forestry sectors, by investing in existing, successful processing operations to upgrade and enhance their facilities to manufacture or process new, value-added products and provide capacity for innovation.

- **Strategic focus on new and emerging sectors of the economy by leveraging the existing mature resource sector strengths and existing infrastructure strengths** (e.g. built facilities, land and water resources, available knowledge and expertise, etc.) as a means of mitigating the costs and risks inherent in entering new and emerging sectors.

- **Strategic focus on projects/initiatives with significant ability to leverage private sector investment, additional economic activity and/or full-time skilled employment opportunities** (as compared to seasonal, unskilled opportunities).

- **Strategic focus on the interdependency of the environment and the economy** by recognizing that future economic growth in the primary resource and tourism sectors of the economy is highly dependent on the preservation and enhancement of the Region's environment.

- **Strategic focus on maintaining economic momentum** generated since 1995 by continuing to invest in attracting new businesses and bright minds to the Region.

1.11 MAJOR STRATEGIC INITIATIVES

The terms of reference for this study call for the Consultants to identify sectors of the economy of Eastern P.E.I. with high potential for sustainable economic development and to identify and prioritize projects/initiatives within these sectors which are believed to be of major strategic importance with respect to generating sustainable economic growth and development within the Region.

The project/initiatives selected as being of major strategic importance are believed to be in harmony with the strategic focus criteria comprising the recommended five year economic development strategy, as set out in Section 9.0 of this report. Projects/initiatives of major strategic importance are prioritized in terms of their potential to (1) provide significant leverage (by way of skilled job creation and other economic spin-offs) on government funds invested, (2) have a catalytic effect on the economy, (3) be viable and sustainable in the future and/or (4) attract private sector investment. A summary of the selected major strategic initiatives, in no particular order of importance, is as follows:

- **A Series of Capital Investments To Establish Touring Destinations**

  Development of new "linked" touring destinations (or significant improvement to existing sites) which are authentic, educational and entertaining, with each having a consistent, high quality product and operating standards.

  Examples of high quality touring products which could potentially be linked include Roma Historic Interpretive Centre, East Point Lighthouse, Orwell Corner Historic Village, Basin Head, Elmira Miniature Railway, Southern Kings and Queens area destination, a First Nation cultural experience, themed experiences focusing on soft adventure and unique private sector businesses.

- **Technology in Tourism Pilot Project**

  Tourists to Eastern P.E.I. often visit leading, well-advertised destinations, however, many are interested in a much wider variety of attractions and activities. The objective of this initiative is to determine visitor needs and wants through personal interviews at Visitor Information Centres and to then assist visitors in developing their own personalized/customized itinerary through the use of user-friendly, interactive technology. In doing so, visitors will be exposed to a much wider spectrum of attractions, activities and geographic locations within the Region. It is proposed that this initiative be sponsored by the federal and provincial governments as a tourism pilot project which, if successful, could generate positive economic benefits for all of P.E.I.

- **Montague Garden of the Gulf Museum and Waterfront Project**

  This initiative includes the preparation of a detailed business plan, including cost estimates, a financing plan and an implementation plan, in support of a major retro-fit and expansion of the Garden of the Gulf Museum and, as a second phase, the development of walkways, waterfront improvements, landscaping and a foot bridge connecting the Museum with the well-developed north side of the Montague waterfront.

- **Souris Downtown Revitalization and Marina Projects**

  These initiatives build on the successful restoration of the historic Matthew & McLean building and include construction of a Waterfront Boardwalk, continued restoration of selected Main Street historic buildings and development of the Souris Harbour Waterfront as a Marina for pleasure boats and for other recreational uses.

- **Cardigan Area Interpretive Centre and Waterfront Development Initiative**

  Cardigan residents have developed a plan to revitalize the town's waterfront area, including upgraded recreational boating facilities, establishment of an interpretive centre highlighting the area's history and ecology and providing visitor information services, and the creation of a waterfront boardwalk. This initiative requires a business plan, strong community support and substantial government investment.

- **St. Peters Development Corporation, Quigley Hall and Community Infrastructure Projects**

  This is primarily an infrastructure project incorporating the restoration of Quigley Hall (an historic property), the construction of Bayside Landing (a small park area adjacent to the turn-off to Souris) and a boardwalk and pedestrian bridges linking the Visitor Information Centre to the community core. This project has substantial potential to leverage further private sector investment in the community.

- **Building Smarter Communities - A Five Point Plan**

  There is a pressing need to address Eastern P.E.I.'s present inability to meaningfully participate in emerging technology and knowledge-based economic development opportunities. Five strategic initiatives are suggested, including (1) developing niche opportunities for specialized training, (2) proactively engaging Correctional Services Canada, UPEI/AVC, Holland College and the P.E.I. Food Technology Centre in research-based economic development initiatives, (3) establishing a community-led

task force to address the "digital divide" issue and accelerate the development of an innovation culture in the Region, (4) aggressively pursuing a more substantial government presence in the Region with particular emphasis on technology and research entities/functions and (5) aggressively pursuing the establishment of a new customer contact centre in the Region. A number of individual projects and initiatives are recommended in support of the Building Smarter Communities initiative. This five point plan and the recommended projects/courses of action is one of the most important elements of this strategy.

- **Resource-Based Sector Diversification and Innovation Initiatives**

To add value to our resource-based sectors the focus must now change from productivity and cost efficiency to resource diversification and product innovation. There is little or no opportunity for growth in the fiercely competitive commodity markets for unprocessed or semi-processed output. The first initiative to address these issues is the creation of a Resource Sector Research Incubator facility to partner the knowledge, skills and research facilities of the public and academic sectors with the experience and entrepreneurship of the private sector. This partnership could support an agenda of substantive change and diversification of agricultural products and practices and conduct research and development necessary for the commercialization of new and innovative food products and processes. The second initiative entails the establishment of an organic milling facility with the objectives of encouraging crop diversification and capitalizing on the fastest growing sector (natural and organic foods) of the North American and European food markets.

- **Value-Added Processing Initiatives**

The recommended initiatives are examples of strategic investments in equipment and technology to enable the food processing industry in the Region to change market focus and add significantly greater value to what is now often only semi-processed food production. The first initiative would provide existing food processors with assistance in acquiring the packaging and processing equipment necessary to produce diversified, innovative, value-added, branded products targeted at the high-end retail consumer market. The second initiative envisions government commissioning a study to explore the apparent need for additional multi-purpose freezing and/or frozen storage capacity for the food processing industry (particularly for vegetable and seafood processors) and, if necessary and economically viable, structuring a partnership between government and private sector processors to construct and operate the required facilities.

- **Centre of Innovation for Fin Fish Aquaculture**

  The aquaculture industry presents an opportunity for accelerated economic growth in Eastern P.E.I., primarily through leveraging on the Cardigan Fish Hatchery facility which is owned and operated by AVC Inc., a division of UPEI's Atlantic Veterinary College. This Centre would, among other aquatic scientific research endeavors, address the scientific challenges confronting the development of a viable fin fish aquaculture industry in P.E.I. including genetic issues, growth rates, nutrition updates, disease resistance, etc. and address the many business development issues challenging the industry including market development, consistency of supply, branding issues, etc.. There is potential to establish commercial aquaculture initiatives, in partnership with existing private sectors businesses.

- **Resource Sector Apprenticeship Pilot Initiative**

  This pilot initiative addresses the growing skills shortage in resource-based industries and, at the same time, helps reduce the high school drop-out rate and raise literacy levels. Essentially, high school students entering grade ten and interested in future resource sector employment would enroll in an apprenticeship program in a chosen sector while continuing to take the core academic courses necessary to complete grade twelve. The Resource Sector Apprenticeship courses would replace elective courses now taken in grades ten, eleven and twelve. Students in the apprenticeship program would complete paid work placements (on-the-job-training) in the summer months. Upon completion of grade twelve and the Resource Sector Apprenticeship program, students would have the option of joining the work force, enrolling in a post-secondary degree program or enrolling in a higher level two year Holland College Resource Apprenticeship program in their chosen field.

- **Business and Industrial Parks**

  Eastern P.E.I. has three high-quality business or industrial parks, collectively covering a wide range of business activities including light industrial and technology in Pooles Corner Business Park, food processing in the Souris Food Park and technology and research-based industries in the Stratford Business Park. We recommend that government place a renewed emphasis on marketing these facilities (re-defining target markets if necessary) and developing the park infrastructures necessary to attract new business clients to the Region. The future of light manufacturing, food processing and technology-based industries is highly dependent on successfully marketing high-caliber business and industrial park space within the Region in what is now an extremely competitive North American marketplace.

1.12 IMPLEMENTATION

Successful implementation of the **The Five Year Economic Development Strategy For Eastern Prince Edward Island** will require:

- Strong leadership from communities and individuals throughout the Region.
- The establishment of an ACOA sub-regional office, centrally located within the Region.
- The continued participation of Active Communities Inc. in its project development/capital financing role (including the continuation of its small business loan program).
- Remandating the Board of Active Communities Inc. to assist in facilitating the implementation of capital elements of the Five Year Economic Development Strategy.
- Restructuring the newly-mandated Board of Active Communities Inc. to include 3 to 5 voting members and 3 ex-officio members representing the ACOA sub-regional office, UPEI/AVC and Holland College in recognition of the integral role these institutions must play in the successful implementation of **The Five Year Economic Development Strategy for Eastern Prince Edward Island**.

2.0 PROJECT BACKGROUND AND REVIEW OF 1995 FIVE YEAR ECONOMIC DEVELOPMENT STRATEGY

2.1 DESCRIPTION OF THE ASSIGNMENT

MacIsaac Younker Roche Soloman and MacPherson Roche Smith & Noonan have contracted with the Prince Edward Island office of the Atlantic Canada Opportunities Agency (ACOA) for the development and presentation of a "Five Year Economic Development Strategy for Eastern Prince Edward Island".

In establishing the terms of reference for this assignment, ACOA has recognized that meaningful and sustainable economic development in Eastern Prince Edward Island ("Eastern P.E.I." or the "Region") requires a regularly updated strategic plan which assesses the present state of the Region's economy and its supporting infrastructure, identifies and prioritizes the economic opportunities available within the Region and presents a clear action plan with established and realistic goals and objectives.

2.2 APPROACH TO CONDUCTING THE ASSIGNMENT

This assignment is essentially the continuation of **A Five Year Economic Development Strategy for Eastern Prince Edward Island** (referred to herein as the "1995 Economic Development Strategy"), commissioned by ACOA in late 1994 and presented to them in March, 1995. The approach taken by the Consultants to the preparation of the 1995 Economic Development Strategy was **Practical**, **Realistic** and **Action-Oriented**. This approach proved to be very effective in developing a relatively simple strategy with affordable and achievable goals and objectives.

While the present condition of the economy of Eastern P.E.I. has improved measurably from that of 1995, many of the economic realities and constraints with respect to generating and sustaining economic development have not changed. Both the Canadian economy and the P.E.I. economy appear to have slipped into a mild recession (or nearly so, depending on the measurement tools used); a clear indication that the government resources necessary to support an economic development strategy will be scarce and, moreover, available government resources will be subjected to the many valid demands of the various departments and agencies of both levels of government not directly involved in economic development (e.g. healthcare, education, national defense, etc.).

Given the back-drop of tight government funding and a recessionary economy, it is perhaps more important than ever that this current economic development strategy be **Practical**, **Realistic**, and **Action-Oriented**. It is also critical to the success of the proposed economic development strategy that it is developed, refined and accepted within the Region. The Consultants approach, therefore, was to seek a high level of input, guidance and support from individuals, businesses and community groups within the Region with the objective of developing a practical and realistic strategy consistent with the Region's attributes and aspirations - in short, a development strategy over which the Region and its citizens will take **Ownership**.

2.3 TERMS OF REFERENCE

The 1995 Economic Development Strategy has, for the past seven years, been an effective guide for the selection of projects and initiatives in support of enhancing economic development within the Region and for the allocation of government resources to those projects and initiatives. The 1995 Economic Development Strategy identified four (4) "keys to successful implementation" of a development strategy, including:

- Commitment by the various levels of government and, in particular, the federal and provincial levels, to provide the funding and take the steps necessary to implement the chosen strategy on an urgent basis.

- A strong "buy-in" by the communities and entrepreneurs within the Region, fostered by their direct participation in developing the strategy.

- Immediate formation of a single "regional development agency" with decision-making powers and adequately funded to provide the necessary executive-level management and financial resources. This agency must have an aggressive, business-oriented, innovative Board of Directors, free from parochial/political concerns, capable of providing the vision and leadership required to "drive" an implementation plan and foster further economic development opportunities.

- Commitment by all stake-holders to immediate and highly-visible action in order to replace the feelings of hopelessness and despair, prevalent among many residents within the Region, with a sense of a momentum and hope for the future.

The current terms of reference provide for a review and update of the 1995 Economic Development Strategy, including the following:

- Review and refine the principles underlying the "keys to successful implementation", based on the actual implementation experience during the period 1995 - 2001.
- Update the socio-economic profile and associated data for the Region, using the most recent census data.
- Review the strengths/opportunities and weaknesses/impediments relative to progress made in promoting and achieving sustainable economic development during the 1995 - 2001 period.
- Identify progress made in addressing the fundamental issues of education and literacy, local ferry services and regional port services.
- Assess progress made on creating implementation capacity in Eastern P.E.I. and identify the key implementation issues to further improve the Region's development prospects.

Based on the results of the foregoing references to the 1995 Economic Development Strategy, the Consultants are instructed as follows:

- Identify and prioritize the economic sectors having the highest potential for sustainable economic development, and identify viable projects/initiatives within these high-potential sectors with particular reference to their ability to leverage further economic development within the Region.
- Analyze the costs, private and public sector financing requirements and viability of strategically-recommended projects/initiatives, and assess the returns on government investment and the potential for private sector involvement.
- Develop and recommend effective implementation strategies and update the 1995 economic development marketing plan for the Region to effectively support current economic development initiatives.
- Assess the adequacy, effectiveness and implementation capacity of existing community-based organizations and their interaction with each other and the public sector. Assess the adequacy and effectiveness of the federal government's presence within the Region and recommend realistic measures to enhance the local federal presence so as to more effectively service the Region.

The terms of reference for the current economic development strategy clearly delineate the need to engage local stakeholders throughout the Eastern P.E. I. region in the process of developing an appropriate strategic plan.

2.4 REVIEW OF THE 1995 FIVE YEAR ECONOMIC DEVELOPMENT STRATEGY FOR EASTERN PRINCE EDWARD ISLAND

Overview

The economic landscape of Eastern P.E.I. has changed substantially (and in some respects, dramatically) over the past six years, due at least in part to the largely successful implementation of the 1995 Economic Development Strategy. The sense of frustration and despair existing in the Region in 1995 appears to have been replaced, for the most part, by a sense of achievement and optimism for the future, however, many of the fundamental impediments to sustainable economic development still remain. Nonetheless, the Region has, through a combination of effective government funding and resource allocation and private sector initiative and investment, achieved significant and sustained economic growth. Since 1995 Eastern P.E.I. has lowered its unemployment rate, raised its education and literacy levels, maintained its vital ferry and port services, fostered the inception and growth of new businesses and industries, upgraded and improved its basic infrastructures, and seen the expansion of many of its existing businesses and industries.

Key economic sectors including agriculture, tourism, manufacturing and food processing have been bolstered by significant new projects/initiatives including the Prince Edward Island National Park at Greenwich, Atlantic Store Decor, Polar Foods International (Souris plant), Agrawest Foods, Souris Food Park, Island Quality Vegetables, the Rodd Marina Inn, the Welding and Fabrication Institute, Jasper Wyman and Sons, and the Dundarave, Avondale and Murray River golf courses. As well, established businesses such as Polar Foods International, North Lake Fish Co-op, Beach Point Specialty Foods, Atlantic Shellfish, Atlantic Store Decor and Southport Home Hardware, have expanded and/or improved their physical assets and, as a consequence, have grown their revenues.

All of the foregoing examples and many others, large and small, have served to instill more positive attitudes in the residents and communities of Eastern P.E.I. and to create a new sense of optimism for the economic future of the Region.

Progress in Addressing Economic Weaknesses and Impediments

The 1995 Economic Development Strategy identified certain major weaknesses and impediments to economic development within Eastern P.E.I., including low education and

literacy levels, vulnerability to future abandonment of existing ferry services (Wood Islands-Caribou and Souris-Magdalen Islands), the erosion of vital ports services and maintenance, the lack of cooperation among communities, and the absence of strong regional (as opposed to local community) leadership in identifying, promoting and developing economic opportunities. Other weaknesses and impediments to economic growth were identified including (but not limited to) aversion to risk, dependence on the Employment Insurance (EI) system, resistance to change, distance to markets, thinly populated land mass and the lack of adequate critical masses of services and facilities. As well, the Region appeared to lack adequate private investment capital sources and a highly skilled labour pool. The identification of many of the weaknesses and impediments to economic growth in the 1995 Economic Development Strategy was subjective by nature. However, the views and opinions of individuals, businesses and community groups, when taken as a whole, clearly reflected the economic despair prevalent throughout the Region.

Clearly, some of the weaknesses and impediments identified cannot be remedied (e.g. distance to markets, thinly populated land mass, etc.), however, others can be removed or at least improved upon (e.g. education and literacy levels, lack of cooperation among communities, dependence on the EI system, certain attitudinal problems, etc.). The magnitude of many of the weaknesses and impediments identified cannot be easily or objectively measured, however, the subjective viewpoints of individuals, community organizations and business representatives, gathered throughout the course of preparing this economic development strategy, indicate that significant progress has been made in addressing these problems and diminishing their negative effects on economic growth.

Implementation of 1995 Economic Development Strategy

Guided by the four "keys to successful implementation" the 1995 Economic Development Strategy must be considered a success. Government did, in fact, provide the necessary funding and administrative support on an urgent basis. There was a strong buy-in by individuals, businesses and community groups who, in fact, took ownership of the strategy. All stakeholders were committed to immediate and highly visible action which, in turn, had the effect of replacing the prevailing sense of frustration and despair with a new sense of accomplishment and optimism for the future of the Region.

A regional development agency, Opportunities East Inc., was formed to assist with the implementation of the 1995 Economic Development Strategy, however, this agency did not reach its full potential despite the sincere efforts of government and the individuals involved. As a result, government itself and the private sector shouldered much of the burden of implementation.

A number of local community organizations presently exist in Eastern P.E.I. with a mandate, in general terms, to foster economic development within their own communities.

As well, industry sector organizations (e.g. tourism, agriculture , etc.) exist in various geographic areas of Eastern P.E.I. with a mandate, in general terms, to promote the growth and development of their particular industry within the confines of a specific geographic area. All of these organizations are useful and several have been quite successful in identifying and promoting economic development opportunities within their local communities or sub-regional industry sectors, however, from a regional perspective, economic development remains fragmented and somewhat parochial.

Active Communities Inc. (ACI) was formed in 1998 as the successor regional development agency to Opportunities East. ACI has assisted some communities, development groups, businesses and individuals to develop economic opportunities benefitting Eastern P.E.I. by acting as a facilitator among various interests (community, government, businesses, individuals) to develop and implement various capital projects/initiatives. As well, ACI offer a small business loan service to assist small private sector entrepreneurs to develop viable business opportunities. As a not-for-profit organization, ACI is well-positioned to continue its useful role as a catalyst and facilitator for capital projects/initiatives within the Region.

3.0 APPROACH TO DEVELOPING THE STRATEGY

3.1 OVERVIEW

In the course of preparing this report, the Consultants solicited public opinion on economic development issues through responses to an economic development survey made available to the general public and, as well, interviewed numerous private individuals, business owners, community development groups, community and business leaders, and federal and provincial government representatives. The purpose was to solicit broad-based regional input and opinion as to the present state of Eastern P.E.I.'s economy (strengths, weaknesses, opportunities and impediments) and to identify the mature and emerging sectors of the economy presenting the best opportunities to leverage government funding and other forms of assistance to attract private sector investment in viable and sustainable projects/initiatives which are compatible and achievable within the context of an over-all strategic development plan for the Region.

3.2 THE INFORMATION GATHERING PROCESS

The opinions and viewpoints of the private sector, community economic development groups, municipalities and relevant federal and provincial government officials are integral to the preparation of a regional economic development strategy. To ensure that all parties with an interest in the formulation of an economic development strategy for Eastern P.E.I. were aware of the study and had an opportunity to be heard, the following steps were taken:

- A press conference was held by Hon. Lawrence MacAulay, Solicitor General for Canada, in Montague P.E.I. on October 12, 2001, announcing the launch of the study, providing information to the general public and soliciting the participation and input of any interested parties.

- An information package containing an economic development survey was circulated to obtain basic information and viewpoints from interested parties.

- Public notices were placed in the Eastern Graphic and the Guardian newspapers to solicit input through completion of the economic development survey or by various other means including written responses, telephone interviews and private meetings.

- Based on their knowledge of Eastern P.E.I. and its economy, the Consultants solicited input from a wide variety of individuals, community groups, business persons, students and government personnel who otherwise might not have responded but were believed to be capable of providing valuable insight and direction in the preparation of an economic development strategy for the Region. A conscious effort was made by the Consultants to ensure that input was received from a broad cross-section of individuals, community groups and organizations and special interest groups who were representative of both genders, youth, seniors and geographic areas within the Region and the various economic/business sectors within the Region. A separate student survey was prepared by the Consultants and completed by senior students from three high schools within the Region, followed by meetings with the students by the Consultants.

- The Consultants sought, obtained and reviewed a wide variety of current studies and reports, industry-specific articles and information pieces, and personal representations concerning the state of the Region's economy, potential development strategies and projects/initiatives, and community and private sector initiatives.

The strong participation of individuals, business and community leaders, community economic development groups, special interest groups and government representatives in the information gathering and interview processes has provided a frank and realistic "grass-roots" perspective with respect to the strengths, opportunities, weaknesses and impediments influencing the formulation of economic development strategies which are consistent with the goals and aspirations of the citizens of the Region as a whole. As a result, the five year economic development strategy presented in this report is highly reflective of the viewpoints expressed by the various constituencies within Eastern P.E.I.

3.3 KEY ISSUES AND RECURRING THEMES

The information gathering and interview processes revealed certain key issues and recurring themes with respect to formulating economic development strategies for Eastern P.E.I.. In no particular order of importance, some key issues and recurring themes identified are as follows:

- **Interdependency of the Environment and the Economy**

  A strong consensus appears to have developed within diverse sectors of the economy (e.g. tourism, agriculture, fisheries, aquaculture, manufacturing and

processing, etc.) that long-term economic growth within the Region, or within any given sector of the economy, is highly dependent on the preservation and enhancement of the Region's physical environment. As an example, tourism operators see "green" tourism (or eco-tourism) as an integral part of a tourism development strategy. Part of the Region's appeal to the green tourist (or any tourist for that matter) is its agricultural landscape, scenic fishing ports, unspoiled coastline and beautiful land and seascapes. On the other hand, there is a growing recognition within the agricultural community, for example, that aggressive steps must be taken with respect to land use, soil erosion and the use of chemicals and fertilizers in order to maintain and/or enhance long-term productivity and competitiveness within a global marketplace.

Regardless of the motivation, be it enlightened self-interest or genuine concern for the environment, the importance of constructing a long-term development strategy which adequately addresses environmental issues and concerns and recognizes the interdependency of the environment and the economy is abundantly clear.

- **Building on Existing Strengths**

Throughout the information gathering and interview processes "building on existing strengths as a cornerstone of constructing viable and sustainable economic development strategies", was a recurring and heavily emphasized theme. While many respondents (i.e. individuals, community groups, business leaders, etc.) believe that the Region must capitalize on opportunities presented in new and/or emerging sectors of the economy to reduce the Region's dependency on the mature resource-based "old economy" sectors, they emphasize the need to proceed with caution and, wherever possible, participate in those new and emerging sectors that are complementary to or supportive of the existing resource-based sectors. The message is clear - while there is a definite need to participate in the new and emerging sectors of the economy to fuel economic growth in the Region, care must be taken not to undermine or ignore the strengths and economic importance of existing resource-based sectors. Moreover, the risks inherent in the development of new and emerging sectors of the economy can be substantially reduced by participating in those new and emerging sectors which are complemented by the Region's existing resource-based sectors and the physical infrastructures (e.g. roads, ports, natural attractions, human resources and built facilities).

- **Leveraging Investment**

  Many respondents noted that federal and provincial funding in support of economic development within the Region should, as a priority, be allocated to those projects/initiatives having the greatest ability to leverage private sector investment. Underlying this observation is a strong belief that, in order for the Region as a whole to grow and prosper economically over the long term, the efforts and resources of governments and the private sector must be focused on projects/initiatives in those sectors of the economy having the greatest potential for viability in the short-term and sustainability in the long-term. In turn, this means that the optimum economic development strategy cannot be "all things to all people"; rather, it must focus on those sectors of the economy (and on projects/initiatives within those sectors) having the greatest potential, within acceptable levels of risk, as opposed to focusing on specific geographic areas within Eastern P.E.I..

- **Education, Skills and Jobs**

  Low education levels, low literacy rates and a largely unskilled workforce continue to present a formidable barrier to sustainable economic development within Eastern P.E.I. although progress appears to have been made in addressing these issues over the past 5 - 6 years. Many respondents believe the present EI system creates a disincentive in that it may discourage individuals from seeking to improve their education and skills levels. On the other hand, many of the same respondents observe that continuance of the EI system is an absolute necessity to the Region's economy because of the seasonality of work in a resource-based economy, particularly in the agriculture, fisheries and forestry sectors and, to a lesser extent, in the tourism sector where seasonality fits the availability of the student workforce.

  A number of respondents believe that government funding directed simply at short-term "job creation" (particularly the creation of low-end, seasonal jobs) is an inefficient use of scarce resources in the long-term, although admittedly some positive economic and social benefits are achieved in the short-term. Some respondents also observe that while short-term job creation may be politically gratifying, both the federal and provincial governments must "bite the bullet" and focus more resources on education generally and, in particular, on the development of higher paying job skills suited to year-round employment

in new and emerging sectors of the economy and/or in value-added processing and manufacturing in the resource-based sectors of the economy. Some respondents observe that an investment in improving education and literacy levels and job skills is, in fact, a critical and necessary infrastructure investment in the long-term growth and sustainability of the Region's economy.

- **Market Driven Projects/Initiatives**

A number of respondents have noted the "disconnect" between the ability of start-up businesses to grow, process and/or manufacture high quality, competitively priced products and their ability to effectively market those products. The underlying theme of these observations is that greater care must be taken by government and by private sector entrepreneurs to carefully examine and assess the marketplace for new products and services and, to the extent possible, ensure the existence of both viable long-term market opportunities and appropriate strategies to penetrate those markets. This suggests that a greater share of federal and provincial funding in support of economic development strategies and projects/initiatives must be allocated to the marketing, as opposed to the production, side of the equation.

- **Underutilized Assets**

Practically all respondents point to the Region's underutilized assets (and, in some cases, misused assets) as potential spring boards for economic renewal. There are a wide variety of opinions as to what constitutes an "underutilized" or "misused" asset, however, certain relatively common observations emerged, as follows:

- ***Agriculture***
  Cultivatable land is available but not used to its full potential. The land base is "misused" in the sense that too much acreage is in potatoes, and significant acreage should be switched from potatoes to other high-value crops.

- ***Tourism***
  The Region's coastline is one of its greatest assets but is underutilized and underdeveloped for green tourism activities. Certain existing quality attractions are underutilized because they fail to offer a high quality interactive or educational experience to the visitor. The quality of service at many tourism establishments remains below acceptable levels; an underutilization of human resources.

- ***Food Processing***
  Souris Food Park has but two tenants and, as such, can hardly be described as a "food park". Failure to continue full-time promotional efforts to attract tenants has resulted in the underutilization of a $20 million asset. Respondents also believe the failure to add substantially more value to raw materials produced in the Region is, in fact, a misuse or underutilization of a key asset base (i.e. locally produced raw materials).

- **Impacts of a Global Economy**

During the course of preparing the 1995 Economic Development Strategy many respondents had difficulty accepting the premise that Eastern P.E.I. operates in and is significantly impacted by the so-called "global economy". Respondents to the current study had a much greater appreciation of the truly global nature of economic development and trade activity. The realities of global competitiveness and complex international trade agreements struck close to home with the difficulties experienced by the potato industry with the "potato wart" problem and the long and costly trade dispute involving U.S. mussel producers who accused a number of larger P.E.I. mussel producers of unfair trade practices, including "dumping". Global competitiveness is a constant concern and a difficult issue for key seafood processors within the Region, as increasing supplies of cheap competing or substitute products from low-cost producers in Asia and South America are now readily available in the global marketplace. Underlying this recognition of the potentially adverse impacts of the global marketplace is the realization that, because the market is global, opportunities now exist for certain niche or specialty products produced within the Region which have the necessary characteristics to penetrate export markets or displace imported products. There is growing recognition of the importance of market intelligence in assessing the viability and long-term sustainability of new projects/initiatives as components of an economic development strategy. As well, the development of a high quality technology and communications infrastructure is seen as being critical to competing effectively in the global marketplace.

- **The Investment Climate**

Adequate "access to capital" has long been identified as an impediment to economic development in the rural areas of Prince Edward Island. The practical experiences of the Consultants gained from many years of providing financial advisory services to businesses located in Eastern P.E.I. are

corroborated by the responses to the economic development survey and input received during the course of numerous interviews. Access to capital is indeed a significant barrier to economic development within the Region. Capital was defined broadly by respondents as consisting of both "debt" (or "loan") capital, and "equity" capital (i.e. shareholder or owner investment, non-repayable government investment).

Many factors were mentioned by respondents as having an influence on the access to capital, including, as examples, the following:

- The investment and banking community, including chartered banks, individuals, businesses and governments in Eastern P.E.I. appear to be "risk-averse", when compared to their urban counterparts.

- Most lenders "de-value" assets located in rural areas for the purpose of providing security for debt obligations.

- An apparent aversion exists within the Region to broad-based "outside" equity participation. Many business owners appear not to want "outside" equity investors involved in their businesses and would prefer to finance start-up costs and growth by way of debt despite the increased risk inherent in doing so.

- The recent consolidation and centralization of the commercial lending operations of the chartered banks (and other capital providers) to regional decision-making authorities, as compared to local branch decision-making authorities in the past, appears to have negatively impacted many rural Island businesses.

- The lack of large pools of private risk capital (i.e. individuals, venture capital funds, etc. with high-risk "equity" money available for investment) presents a formidable barrier to attracting businesses in the new and/or emerging sectors of the economy to locate in Eastern P.E.I.

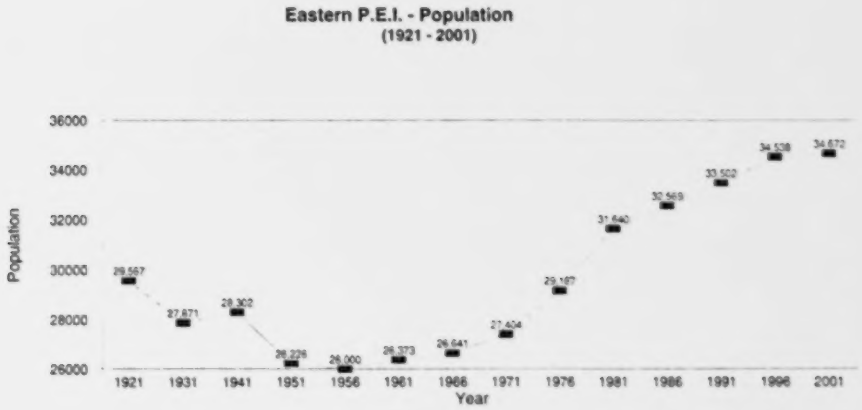
4.0 SOCIO-ECONOMIC CONSIDERATIONS

4.1 INTRODUCTION

For the purposes of this socio-economic overview Eastern P.E.I. is defined as including lots 35, 48, 49, 50, 57, 58, 60, 62 and the Town of Stratford and all lots, communities, villages, and townships east of these. It should be noted that when all of the 2000 census data is released by Statistics Canada later this year there will be much more current data available to analyze a wide range of socio-economic issues.

4.2 POPULATION GROWTH RATES AND AGE DISTRIBUTION

This information is based on *2001 Population* figures provided by the 2001 Census, Statistics Canada.



Overall the population of Eastern P.E.I. has increased slightly (by 0.3%) from the 1996 census. The largest increases occurred in the areas outside the boundaries of Kings County where there was growth of 3.4%. The population of Kings County declined by 1.9% during this period.

The Town of Stratford has experienced the largest percentage growth since 1996 followed by Murray River and Cardigan. Communities such as Montague, Georgetown, Morell, Souris and St. Peters Bay have all experienced a population decline.

POPULATION BY COMMUNITY				
TOWNS/VILLAGES	1991	1996	2001	% CHANGE (from 1996 to 2000)
Stratford	5,427	5,869	6,314	7.6%
Montague	1,901	1,995	1,945	2.5%
Souris	1,333	1,293	1,248	-3.5%
Georgetown	716	732	721	-1.5%
Murray River	485	420	435	3.6%
Cardigan	356	371	382	3.0%
Murray Harbour	390	356	357	0.3%
Morell	349	336	332	-1.2%
Mount Stewart	315	310	312	0.6%
St. Peters Bay	284	283	267	-5.7%

Compared to P.E.I. and Canada many communities in Eastern P.E.I. have a signigicantly higher percentage of the population over the age of sixty-five. This translates into a less productive society and an increased need for health and other services for an aging population.

POPULATION BY AGE - 1998 (% OF TOTAL)						
	AGE GROUP					
	0-14 years	15-24 years	25-44 years	45-59 years	60-64 years	65+ years
Stratford	24.0%	16.0%	30.0%	20.0%	3.0%	8.0%
Montague	18.0%	15.0%	25.0%	17.0%	5.0%	21.0%
Souris	19.0%	14.0%	25.0%	15.0%	5.0%	22.0%
Georgetown	22.0%	18.0%	31.0%	17.0%	3.0%	10.0%
Murray River	18.0%	14.0%	20.0%	21.0%	5.0%	21.0%
Cardigan	31.0%	12.0%	30.0%	12.0%	3.0%	12.0%
Murray Harbour	16.0%	12.0%	24.0%	16.0%	4.0%	27.0%
Morell	20.0%	15.0%	26.0%	17.0%	3.0%	18.0%
Mount Stewart	22.0%	12.0%	27.0%	17.0%	7.0%	15.0%
St. Peter's	24.0%	12.0%	29.0%	17.0%	3.0%	15.0%
Prince Edward Island	**22.0%**	**14.0%**	**30.0%**	**17.0%**	**4.0%**	**13.0%**
Canada	**20.0%**	**13.0%**	**32.0%**	**17.0%**	**4.0%**	**12.0%**

4.3 EDUCATION

In Eastern P.E.I. 46% of adults have a post-secondary education. For Canada, however, the average is significantly higher at 51%. Within Eastern P.E.I. education levels vary with some rural areas having lower education levels and higher drop-out rates. The recently released report *"At a Crossroads - First Results for the 18 to 20-Year-old Cohort of the Youth in Transition Survey"* jointly prepared by Human Resources Development Canada and Statistics Canada indicates that P.E.I. has the highest provincial high school drop-out rate in the country. P.E.I.'s drop-out rate stands at 16.4% compared to an average of 12% for Canada. The drop-out rate for females in P.E.I. is at 9.2% which is the same as the national rate, however, the drop-out rate for males in P.E.I. is 22.3% compared to a 14.7% national rate. This is an area of great concern as young people without high school

diplomas will have very limited future employment opportunities. Through the provincial education system, the government must develop a multifaceted strategy to solve this problem. As a first step in addressing this issue, implementation of a Resource Sector Apprenticeship strategy is recommended in Section 10.0 of this report.

4.4 OCCUPATIONS

The following table is a summary of occupations for Kings County, P.E.I., and Canada.

OCCUPATION BY TYPE			
Occupation	**Kings County**	**P.E.I.**	**Canada**
Management	**4.0%**	**7.0%**	**9.0%**
Business, finance and administrative occupations	**10.0%**	**14.0%**	**19.0%**
Natural and applied sciences and related occupations	3.0%	3.0%	5.0%
Health occupations	5.0%	5.0%	5.0%
Occupations in social science, education, government service and religion	4.0%	6.0%	7.0%
Occupations in art, culture, recreation and sport	2.0%	2.0%	3.0%
Sales and service occupations	18.0%	25.0%	26.0%
Trades, transport and equipment operators and related occupations	15.0%	15.0%	14.0%
Occupations unique to primary industry	**25.0%**	**14.0%**	**5.0%**
Occupations unique to processing and manufacturing	**15.0%**	**8.0%**	**8.0%**

Source: Statistics Canada 1996 Census

4.5 MAJOR OCCUPATIONS IN TOWNS/VILLAGES

The occupational groups of sales and service, business, finance and administrative, and primary industries account for 64% of Cardigan's labour force of 185 individuals.

Approximately 56% of Georgetown's labour force is in manufacturing (also includes fish processing) and 13% in fishing. This reflects the importance of shipbuilding and fishing industries to the area.

Seventeen percent of Montague's labour force is involved in manufacturing industries, 16% in retail trade and 11% in accommodation, food and beverage service industries.

The industries employing the most people in Morell are educational services at 17%, construction at 15%, and other service industries 12%. The fishing and fish processing industry is also a major employer, with at least 3 processing plants and 3 aquaculture farms operating in the Morell area.

In Murray Harbour, 42% of the labour force is in fishing and trapping category. There is an industrial centre in nearby Beach Point, with Polar Foods International seafood processing plant, and Beach Point Specialty Foods as the anchor business. Also nearby is Mariner Seafoods, a lobster packing plant. Although fishing is the mainstay of the Murray Harbour economy, tourism has been increasing steadily in recent years.

In Souris 17% of the labour force is in the fishing industry, another 17% in the retail trade industry and 11% in other service industries. These figures reflect the importance of fishing to the Souris economy, and the Town's position as a retail and service centre for the Eastern Kings region. Souris contains an industrial park and a food park.

St. Peter's Bay has a labour force of 140, 72% of which are concentrated in the fishing industry, retail trade industries, manufacturing industries and transportation and storage industries.

Much of Stratford's labour force is employed in year-round industry with health and social services being the largest at 17%. Fifteen percent of Stratford's labour force is employed in government service industries and 15% in retail trade industries.

4.6 FEDERAL GOVERNMENT PRESENCE

There are several reasons for the shortage of employment opportunities in management, business, finance and administrative positions in Kings County. The limited presence of the federal government in the region continues to be a concern. The distribution of federal government jobs in Prince Edward Island is as follows:

Summary of Federal Government Jobs in P.E.I. by Region

Region	Estimated number of Jobs - 1995		Estimated number of Jobs - 2001	
Greater Charlottetown Area	1,600	67%	2,070	69%
Western Region	750	31%	810	27%
Eastern Region	50	2%	120	4%
	2,400	100%	3,000	100%

Other comparable rural regions in the Maritimes typically have 500-700 federal government jobs. The Eastern Region has made some significant gains with the location of the Correctional Services Canada Addictions Research Centre in Montague, the new National Park at Greenwich, and the Human Resources Canada claims processing centre in Montague, however, further action is required.

Another measure of the level of federal government presence in the Region is the location of federal real property (land and buildings). This investment is analyzed by summarizing, by county, the annual grant paid to the Province of P.E.I. (in lieu of property taxes). The results are as follows:

County	Amounts	Percentage of total
Queens County	$ 2,035,000	73%
Prince County	719,000	25%
Kings County	45,000	2%
	$ 2,799,000	100%

This analysis is important because the existence of federal buildings enhances the entire community, leverages private sector investment and results in a wide range of long-term direct and indirect economic spin-offs to local businesses.

An additional factor contributing to the low number of management, business, finance and administrative positions is the size of the private sector in the Region. An increased government presence would leverage private sector growth and expansion in businesses such as those in the services sector.

P.E.I. has a strong federal government presence, however, the Eastern Region enjoys but a small (4%) fraction of government jobs. Despite public perception that the Eastern Region now has its "share" of federal government jobs, clearly much more needs to be done to ensure a more equitable provincial distribution of these positions.

5.0 SECTOR PROFILES AND STRATEGIC DIRECTION

5.1 OVERVIEW

The creation of a meaningful and sustainable economic development strategy for Eastern P.E.I. requires, as a first step, a current assessment of the key sectors of the economy and, as importantly, the likely impacts of regional, national and global economic trends and developments on the future economic development within the Region. A review of current economic literature, including economic forecasts and various strategic planning and economic development studies, clearly illustrates the need to think outside the context of the existing local economy. Accordingly some of the information sources reviewed by the Consultants address the global economy, others focus on the Canadian and North American economies while still others provide a sharper focus on the economies of the Atlantic Region and/or Prince Edward Island.

Now more than ever, the Region's traditional resource-based industries are being impacted by global economic forces and events beyond its control. New and evolving technologies and the emergence of new international tariff and trade agreements have forever changed the way business is conducted. It is clear that to develop and implement any meaningful and sustainable economic development strategy for Eastern P.E.I., governments at all levels, as well as the private business sector, must be cognizant of regional, national and international economic trends, developments and issues. Much of the following discussion on key individual sectors of the Eastern P.E.I. economy is based on a regional perspective (i.e. Atlantic Canada) simply because many of the current economic development initiatives and strategies being implemented by the Government of Canada focus on the advancement of "knowledge economy clusters" within Atlantic Canada, with various projects and initiatives being evaluated on the basis of their merits and "fit" within a regional development strategy context.

With respect to the resource-based sectors of its economy, Eastern P.E.I. is at a cross-roads where a choice must be made between maintaining the status quo (production and sale of raw materials with some primary and value-added processing) or concentrating more resources and effort on developing complementary new and emerging sectors of the economy and on developing new value-added processes and products utilizing locally produced resources. The latter approach, which comes with significant costs and risks, requires a long-term investment in research and development initiatives, and in developing

the knowledge and skills base necessary to make the transition from resource-based enterprises to knowledge-based enterprises. Success will require a combination of strong provincial and federal government funding and leadership, and a resourceful, aggressive and innovative private sector.

5.2 MATURE SECTORS OF ATLANTIC CANADA'S ECONOMY

Certain sectors of Atlantic Canada's economy, although relatively mature in terms of growth and economic development potential, are considered by various levels of government and the private sector to be of continuing and significant strategic importance within the context of an economic development strategy for Atlantic Canada. These sectors include:

- Agriculture and Agri-Food
- Fisheries
- Forestry and Wood Products
- Mining
- Tourism

5.3 EMERGING SECTORS OF ATLANTIC CANADA'S ECONOMY

Within Atlantic Canada, economic development and growth opportunities have been identified in certain "new and emerging" sectors of the economy. The emerging sectors commonly cited as having the greatest potential for meaningful and sustainable economic development within Atlantic Canada include the following:

- Aerospace
- Aquaculture
- Biotechnology (Pharmaceutical/ Nutraceutical/Medical Products)
- Environmental Industries
- Information Technology
- Ocean Industries
- Oil and Natural Gas

5.4 STRATEGIC DIRECTION

Among the established or mature sectors of Atlantic Canada's economy (see Section 5.2), all but the mining sector are clearly important in the context of an economic development strategy for Eastern P.E.I. The fundamental importance of these mature sectors in sustaining the current economy of Eastern P.E.I. is indicative of the risks inherent in making radical shifts away from the mature sectors to the new and emerging sectors identified in Section 5.3. Strategically, an effort must be made to identify and concentrate on those new and emerging sectors which can be leveraged on the existing strengths of the mature sectors and the existing infrastructure of Eastern P.E.I.. The selected new and emerging sectors appear to have significant potential for growth and sustainability within the boundaries of acceptable levels of risks and costs.

6.0 PROFILES OF RESOURCE-BASED SECTORS

6.1 AGRICULTURE AND AGRI-FOODS

P.E.I.'s agriculture sector has often been described as a "monoculture" sector because of the dominance of potatoes as a cash crop supplying local, national and international seed, tablestock and processing markets. The potato industry, now encompassing approximately 120,000 acres of production annually, has recently been the subject of much debate with respect to land management and environmental issues, including the heavy use of chemicals and fertilizers to control disease and insects and to increase yields.

As a matter of provincial government policy, it appears that there is movement towards more restrictive land use and management policies and greater control over the use of chemicals and fertilizers. Escalating production costs and stagnant market prices combined with adverse growing conditions in recent years continue to stress the potato industry from an economic perspective. In order to relieve these stresses and address land use and environmental issues, it is clear that the province must find ways to reduce its dependence on potatoes as the primary cash crop. In part, this may be accomplished by a transition to cultivation of alternate crops, including high-value vegetable and cole crops, niche market crops (e.g. crops used in nutraceutical or pharmaceutical production) and organically certified crops which can reduce negative impacts on the environment and also have the potential to generate significant incremental profits at both the farmgate level and the value-added processing level.

Provincially, the agriculture and agri-food sector features strong research facilities, excellent educational programs, a well-developed materials and equipment supply system and a reasonably efficient transportation system including the Confederation Bridge, the Wood Island - Caribou and Souris - Magdalene Island ferry systems and 4 deep-water ports, 2 of which are usable year round. The provincial highway system, while adequate, is in need of major life cycle maintenance.

A key strength of Eastern P.E.I. identified in the 1995 Economic Development Strategy was the Region's underutilized land base. Since 1995, a significant amount of land within the Region has been put into production for potatoes and, to a lesser extent, for crops such as blueberries, market vegetables and cole crops. Nonetheless, a large underutilized land base remains to be developed. The Region also has a strong base of agri-business knowledge and expertise and some well-developed infrastructures which could assist in facilitating a transition from traditional crops to new, high-value crops, and support new and

innovative food processing and product development. The growth opportunities in expanding existing primary agricultural production, particularly in potatoes, are limited. Improved global productivity and fierce international competition coupled with significant government subsidization in certain countries will continue to keep the price of most commodities, including potatoes, very low.

To succeed in adding value to the agriculture and agri-food sector in Eastern P.E.I., initiatives must be strategically directed to crop diversification, penetration of the rapidly growing natural and organic food products market and participation in the knowledge-based economy as it relates to the agriculture and agri-food sector. New strategies and specific initiatives may include:

- Conversion of some land from existing traditional crop usage to alternate high-value crops and growing/harvesting processes aimed at a more health conscious and environmentally concerned consumer.

- Identification and development of new markets (e.g. nutraceutical or pharmaceutical manufacturers) for high value specialized crops or, where possible, locally process value-added products from these crops.

- Establishment of facilities for training, research and innovation (i.e. participation in the knowledge-based economy) to facilitate development of new natural products (e.g. nutraceuticals), to find new uses for existing agricultural production, to assist growers to diversify their production to include alternate high-value crops (e.g. organically certified crops, niche crops for natural food and nutraceutical production, etc.), and to actively participate in the knowledge-based agri-food economy as it relates to productivity, safety and environmental issues, business management skills, food processing innovation, product quality and health issues.

The foregoing strategic directions reflect a conscious effort to focus on a gradual transformation or diversification from traditional crop production to alternative higher-value crop production, as opposed to making radical shifts away from mature sectors to new, high risk, unproven sectors of the economy. In the agriculture and agri-food sector, the underlying strategic direction and ultimate goal is to identify and utilize existing strengths (including experience, knowledge and infrastructures) to innovate, diversify and expand within the sector, rather than to simply continue to increase production of traditional cash crops such as potatoes.

6.2 FISHERY AND FISH PROCESSING

The fishery is the second largest employer among the primary resource sectors in Atlantic Canada and historically has been one of the major economic strengths of Eastern P.E.I. The sector has high employment numbers, however, the jobs in harvesting and processing are often seasonal and traditionally require low skill levels. Recently, the sector has been subjected to increased economic volatility due to supply uncertainties, market price fluctuations and strong international competition.

Although value-added exports have increased in recent years, the majority of seafood production in Atlantic Canada remains at the primary level due in large part to the fact that our markets are concentrated in (a) the North Eastern United States which internally supplies much of their own retail and processing requirements, (b) Japan which often demands seafood in its natural state and (c) the European Union which has high tariffs on imports of processed fish. Developing new markets and adding value through further local processing is complicated and challenged by constraints such as fragmented economic entities and industry associations within the fishery, lack of cooperation and regional focus in procurement, processing, distribution and marketing, and very limited financial resources for research, development and innovation.

Continued growth and development of the fisheries sector in Eastern P.E.I. is constrained by the Region's reliance on lobster as the dominant specie for both fresh and processed product. Presently, there are three large processing plants in the Region owned by Polar Foods International Inc. including plants in Souris, Gaspereaux, Beach Point and Morell. As well, there are smaller independent plants in North Lake and Beach Point operating within the Region. All of these plants process species other than lobster (e.g. various species of crab, herring and groundfish), however, lobster is by far the dominant specie.

Currently, there are approximately 30 major processing plants in Atlantic Canada competing for the lobster resource landed in Atlantic Canada and the North Eastern seaboard of the United States. The lobster processing industry is plagued by over-capacity at the plant level (too much plant capacity for too little raw product), difficulties in maintaining a sufficient work force, the seasonal nature of resource availability which requires that processors build huge inventories with no clear visibility as to eventual market demand and selling prices, a lack of value-added production and product differentiation among competitors, the existence of brokers in the procurement chain between fishers and processors (no value added, costs increase) and the lack of profitability required to invest in the development of new, value-added products and the equipment required for such production.

The lobster processing industry in Eastern P.E.I. and throughout Atlantic Canada is currently experiencing financial difficulties, despite (or some would say because of) substantial government support aimed at maintaining plant employment at local community

levels which, in turn, tends to prevent the natural attrition in plant capacity which might otherwise occur. The underlying weaknesses and problems which have beset the lobster processing industry for decades were recently exacerbated by the September 11, 2001 terrorism acts and the consequent depression of global sales volumes and prices. All of these factors have led to persistent efforts by large regional processors to achieve large-scale consolidation (through merger and/or acquisition) aimed at rationalizing the processing capacity within Atlantic Canada. Inevitably, industry consolidation will result in plant closures, perhaps on a massive scale, unless ways are found to utilize the existing plant over-capacity for new, innovative and substantially increased volumes of value-added production to replace and/or complement existing primary level processing (e.g. frozen meat, raw tails, whole cooked lobster, etc.).

The challenge facing Eastern P.E.I. (and, for that matter, the entire province) is to guide, control and nurture the transition from low level primary processing, which adds little value, to a much higher level of value-added production, without destroying the employment base of local communities through plant closures. **While some plant closures may be necessary, the scale of these closures and the consequent impacts on local communities will depend on the level of success achieved by processors and governments working together to encourage the transition to higher value-added production. If fisheries-reliant rural communities within Eastern P.E.I. are to be preserved, then failure to effectively fund and manage this transition is not an option.**

6.3 AQUACULTURE

Aquaculture in Atlantic Canada is concentrated on shellfish species (primarily Blue Mussel and American Oyster), and salmonid species (primarily Atlantic Salmon, Rainbow Trout, Steelhead and Arctic Charr). P.E.I. is the recognized regional industry leader in mussel farming, plays a lead role in farm-reared fin fish and is home to many of the industry leaders who have spear-headed the dramatic growth of the aquaculture industry during the past twenty years. Economic forecasts projecting strong growth in this sector are supported by the fact that aquaculture products have doubled their share of total fish production (representing only 13% of total world fish production in 1990, increasing to 26% by 1999) over the past decade. Growth in the world's population and demand for food products, particularly in Asia, will contribute towards long-term industry growth. The Fisheries and Aquaculture Organization (FAO) predicts that by the year 2030 aquaculture will dominate global fish supplies with less than half of all fish consumed likely to be originated from the capture fisheries.

The value of aquaculture production in Atlantic Canada has increased from $97 million in 1991 to $225 million in 1999, an annual growth rate of 14.7%, while physical volumes have increased three-fold during the same period. Atlantic Canada accounts for approximately one-half of all Canadian aquaculture production with production originating primarily in New Brunswick and P.E.I.. P.E.I. has an internationally recognized, knowledge-intensive, supporting infrastructure led by the Atlantic Veterinary College and AVC Inc., existing and potential linkages to biotechnology and genetic research, and well-established training programs in aquaculture technology and seafood processing technology.

If the aquaculture industry is to grow and diversify in P.E.I., government must continue to play a lead role in investing in research and development initiatives focused in the following areas:

- Fish health and genetics.
- Development of new international markets.
- Facilitation of the development of rearing new species and commercialization of technologies/expertise.
- Development of new products/markets related to the health and pharmaceutical industry, dietetic and specialty food products.
- Development of value-added processing opportunities for aquaculture products and integration with existing fish processing facilities.
- Sustainability practices and environmental issues.

Within the province, Eastern P.E.I. presently has the strongest infrastructure upon which to grow and expand the scope of the aquaculture industry. The existence of excellent ground water supplies together with the presence of the Cardigan Fish Hatchery facility operated by AVC Inc. (a division of Atlantic Veterinary College), the Aqua Bounty genetic research facility in Souris and the presence of a number of small but relatively successful fin fish farming operations make Eastern P.E.I. a natural selection in terms of conducting the research and development initiatives necessary to grow the aquaculture industry.

Clearly, the aquaculture industry is still in an emerging stage therefore research and development of new strains of fish, new products, processes and best practice models, as well as the development of new markets, are all critical to future success. The growth of this sector will require strong government support to assist in implementing strategic development initiatives designed to create a platform for future growth.

6.4 FORESTRY AND WOOD PRODUCTS

Forestry production in P.E.I. has grown substantially over the past decade, increasing from about 420,000 m^3 in 1990 to nearly 800,000 m^3 in 2000. Production peaked in 1999 at 855,000 m^3 but declined slightly in 2000 as the Georgetown Timber sawmill reduced production to upgrade its facility. In terms of value of shipments by wood manufacturing industries, $54.8 million was generated in 2000, down from $61.2 million in 1999 due mainly to falling lumber prices in the last half of 2000 and the Georgetown Timber sawmill slowdown in production. International exports of forestry products fell from $21.8 million in 1999 to $16.3 million in 2000 for the same reasons.

Forestry production in P.E.I. is closely monitored by the Department of Agriculture and Forestry (P.E.I.) and the current level of timber production is thought to be sustainable for at least the next 25 years, given current management practices, current re-forestation efforts and predicted growth patterns. Timber products such as sawlogs and pulpwood are, however, primary resource commodities traded in a global marketplace where commodity prices generally are being pushed down to levels where only the most efficient producers can remain profitable without over-harvesting the resource. Unresolved softwood lumber trade disputes with the U.S. have added further downward pressure on lumber prices.

Increasingly, entrepreneurs are turning to non-timber forest resources (as opposed to timber resources such as sawlogs, pulpwood, fuelwood, etc.) to generate wealth from the forestry resource. As an example, ground hemlock (or eastern yew) is now being successfully harvested to extract a substance called paclitaxel (commonly known as "taxol") which is used in the formulation of cancer treatment drugs. To date harvesting of ground hemlock for taxol extraction has been from wild sources, however, recent studies indicate that ground hemlock can be successfully cultivated as a renewable resource. These studies also indicate that the existing wild stock of ground hemlock will not indefinitely support the rising levels of demand for taxol.

Another example of commercially viable non-timber production is the harvesting of balsam fir tips used in the manufacture of Christmas wreaths. The Provincial Forest Section has been exploring this non-timber use and, as well, has been researching the feasibility of harvesting sustainable crops of wild forest mushrooms.

With careful management, the current level of both hardwood and softwood production in P.E.I. is sustainable and Eastern P.E.I. will continue to benefit economically from the presence of mature wood product companies such as Georgetown Timber and Royalty Hardwoods. Future economic growth in the forestry sector, however, may come from the non-timber uses of the resource. The industry must now focus on the sustainability of forest resources exploited for lucrative non-timber production.

The standing forest resource in Eastern P.E.I. is, of course, integral to the tourism industry. The mosaic patterns of forested land and agricultural land are hallmarks of the Region's beauty and its attractiveness to visitors. This is yet another illustration of the interdependency of various sectors within the economy (i.e. agriculture, forestry, tourism) and the interdependency of the economy and the environment through sustainable harvesting practices for agricultural and forestry resources.

6.5 BIO-RESOURCES

Eastern P.E.I. has a relatively mature food processing industry producing frozen seafood, frozen blueberries, processed vegetables and other value-added products. In addition to the traditional value-adding role played by food processors, new opportunities for adding greater value to the food processing industry may well lie in extracting greater value from the products, by-products and waste products they are presently handling. There are substances of great value, called "bio-resources" by scientists, in many common plants and marine organisms, some of which are already handled in food processing operations in Eastern P.E.I.. These resources can remain unrecognized and untapped in the absence of scientific expertise that is able to discern them.

North Lake Fish Co-op in Eastern P.E.I. is an example of a company with access to bio-resources it has been unable to exploit due to a gap in expertise and facilities. The Co-op processes the largest volume of dogfish shark in Eastern Canada. The cartilage of sharks is the subject of advanced research trials by Aeterna Laboratories Co. of Quebec City. Also, the nutrient rich liver oil of the dogfish offers exciting research possibilities. Presently the dogfish heads are sold to the crab fishery for bait while the liver and most of the cartilage goes to offal.

Lobster and crab shell are rich sources of glucosamine which has been proven effective in treating osteoarthritis in research trials in Belgium. Presently most of the lobster and crab shells generated from P.E.I. processing plants are spread on fields as a fertilizer or simply dumped as a means of disposal.

There is a large volume of marine plants surrounding the province which are potential sources of nutraceutical and pharmaceutical substances. Marine plants have historically been harvested in Eastern P.E.I. but market demand for the traditional uses of the material has weakened.

Blueberries are grown in plantations throughout Eastern P.E.I. and are known by researchers to be rich in proanthrocyanidins and antioxidants. Potentially, the value of blueberries as sources of bio-active substances for dietary supplements may approach their

value as a food product. The dietary supplements (or nutraceutical) market alone is estimated at approximately $13.0 U.S. billion in North America and is growing rapidly. Also the pharmaceutical industry is increasingly looking at bio-resources for new raw material substances and bio-active compounds.

The scientific community is increasingly researching possibilities such as the examples cited. A conference organized by the University of P.E.I. and Bio-Atlantech held January 26 - 27, 2001 in Charlottetown, P.E.I. brought together scientists investigating bio-active compounds from natural sources at 16 major corporate, government and academic research centers in the Atlantic Region. Scientists reporting on their work at this conference identified naturally occurring potential health products in the following areas: nutrients for cardiac health derived from marine plant and mammal research at Memorial University; cancer fighting taxanes in non-timber forest products research at the Canadian Forest Service facilities in Fredericton, New Brunswick; anti-aging and vision maintenance substances identified in blueberries by Agriculture Canada scientists in Kentville, Nova Scotia; an array of marine source substances at the National Research Council laboratory in Halifax, Nova Scotia; animal trials of glucosamine processed from crustacean shells conducted at the Atlantic Veterinary College in Charlottetown for Ocean Nutrition Canada (ONC); potential diabetes controlling substances investigated at ONC facilities in Halifax and contract research carried on for Naturally Nova Scotia, ONC and other clients at the P.E.I. Food Technology Centre in Charlottetown, P.E.I.

The substances identified in these and other research programs require commercial formulation and processing methods to become market-ready nutraceuticals and functional foods to meet consumer demand. The major impediment to Eastern P.E.I. based food processors in penetrating lucrative nutraceutical, pharmaceutical and functional food markets is the absence of research facilities and scientists in their companies with the capacity to develop and test potential products for these markets. On the other hand, the challenge for researchers in the existing government and academic research facilities is the absence of commercial experience and processing facilities to develop consumer ready products.

6.6 ECONOMIC DEVELOPMENT CHALLENGES FOR RESOURCE-BASED ECONOMIES

The agriculture, fishery and forestry sectors have provided the underpinnings of P.E.I.'s economy for generations and will continue to do so. For decades, economic growth has been generated by the profitable sale of key resources such as potatoes and lobster and, in recent years, by growth in the aquaculture and wood product sectors. Value-added processing and new food product development over the past 15 - 20 years have resulted

in additional economic growth and are now an integral part of our resource-based industries. While this is good news, a review of Eastern P.E.I.'s resource-based economy leads to several disturbing observations, as follows:

- The economy of Eastern P.E.I. relies heavily on the sale of raw and semi-processed resources, many of which are in limited or diminishing supply.

- Business enterprises built on harvesting and processing potatoes, lobsters, mussels and wood products have become riskier ventures because of volatile international market conditions, inconsistency of supply, trade barriers, foreign protectionism and disease/food quality challenges.

- Local producers and processors have been highly resourceful in developing and implementing process innovations and new technologies to increase the efficiency of growing, harvesting and processing practices, however, these innovations have focused primarily on cost minimization to maintain bottom-line profitability, rather than on new product development and innovation.

- Increasingly strong international competition, driven by productivity gains induced by low wage rates and government subsidies, has substantially eroded profit margins on most commodities.

- Environmental concerns continue to add risk to all primary production and processing business operations, through increased capital and operating costs and increased exposure to liability. Many of our resource-based industries are currently operating at or near capacity because of land use issues, market restrictions, or diminishing availability of raw product. Sustaining economic growth through increasing the quantities of raw resources brought to market will be a major challenge (if not a physical impossibility) if business is to be conducted in a sustainable and responsible manner.

- Sustainable economic growth can only come through utilizing a much higher percentage of locally produced resources in local value-added production. This transition will require strong leadership and funding support from government, private sector initiative and investment, and a considerable tolerance for risk.

Future economic growth derived from natural resources will require the application of new technologies, and public investment in research, knowledge and skills development. Capital investment will also be required to develop new uses, new products, new research management priorities and new business models capable of accessing new markets through the use of the internet and other advanced communication methods.

P.E.I. has several strong research, training and educational facilities related to the established resource-based sectors of its economy, including the P.E.I. Food Technology Centre, UPEI/Atlantic Veterinary College, AVC Inc., Holland College and the facilities of Canadian Food Inspection Agency - Agriculture and Agri-Food Canada. These resources are the "tools of transformation" for resource-based industries and must be utilized to the fullest extent possible.

The major challenge now faced is to determine how best to accelerate the creation of knowledge-based businesses which add value to traditional resources and/or utilize the Region's unique inventory of bio-resources. This challenge is not unique to P.E.I. as policy makers throughout Canada are attempting to create an environment to encourage the establishment of these kinds of businesses. Creating new wealth from scarce resources, without negatively impacting the environment, will require bold policies and substantial high-risk investments and initiatives by both government and the private sector.

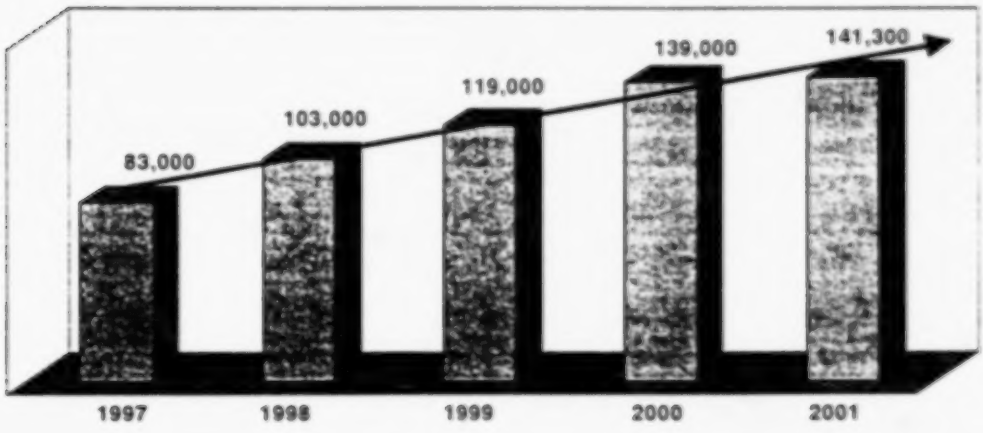
7.0 PROFILE OF TOURISM SECTOR

7.1 TOURISM - A GROWING SECTOR

For purposes of profiling the tourism sector we have relied on P.E.I. Tourism Exit Surveys for 1997 to 2001 for the Eastern Kings and Southern Kings regions. In 2001, seventy-nine percent of visitors to Eastern P.E.I. were over 40 years of age and seventy-three percent had annual income in excess of $50,000. Sixty-one percent of the visitors were employed full time and twenty-five percent were retired. Twenty-eight percent were first time visitors and seventy-two percent were repeat visitors.

In recent years the number of visitors to Eastern P.E.I. has grown dramatically with overnight pleasure visits increasing by seventy percent from 1997 to 2001!

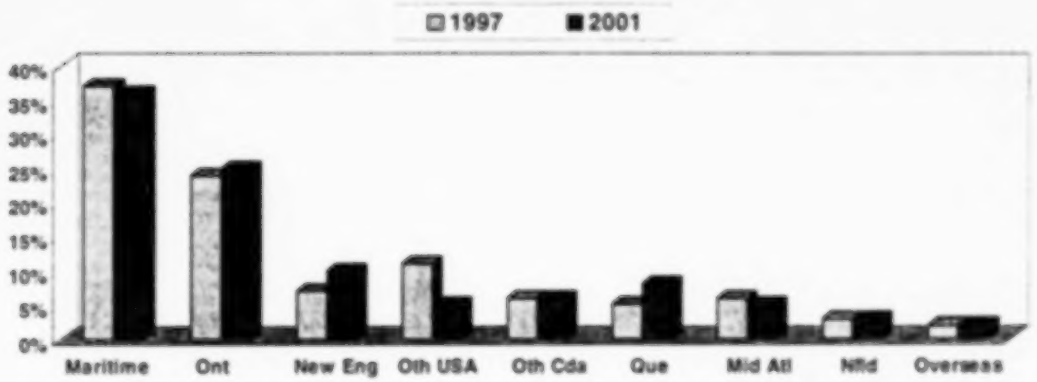
Number of Visitors to Eastern PEI



What is most remarkable about the growth in the number of visitors to Eastern P.E.I. is that during the same period, pleasure visitors to all of P.E.I. declined by approximately 4%. As a result, Eastern P.E.I.'s share of all overnight pleasure visits increased from 7% of the P.E.I. total in 1997 to 13% in 2001.

The majority of visitors to Eastern P.E.I. come from other Maritime Provinces (36%) and Ontario (25%). Tourists from New England represent 19% of all visitors, an increase of 7% from 1997. The following chart shows the origin of visitors to Eastern P.E.I. in 1997 and in 2001.

Origin of Visitors to Eastern PEI



Several positive trends have emerged during the period from 1997 to 2001 summarized as follows:

- Overnight visitors from the Maritimes increased by 43%, from 32,000 to 46,000
- Overnight visitors from Quebec increased by 175%, from 4,000 to 11,000
- Overnight visitors from Ontario increased by 62%, from 21,000 to 34,000
- Overnight visitors from New England increased by 133%, from 6,000 to 14,000, and
- First time overnight visitors increased by 23%, from 35,000 to 43,000

An examination of visitor activity in P.E.I. reveals that almost all visitors engage in more than one activity. The four leading activities were:

(a) soft outdoor adventures (includes bird watching, boating, the Confederation Trail, cycling, fishing and hiking)
(b) sightseeing (touring)
(c) craft shopping
(d) beach visits

The following chart provides a summary of visitor activity in P.E.I. for the 2001 season.

We have concluded that Eastern PEI must develop strategies which maximize the economic benefit from tourists who are interested in soft outdoor adventure and sightseeing/touring. We must enhance the touring and adventure experience.

Tourists in Eastern P.E.I. indicted that they stayed in the following types of accommodations:

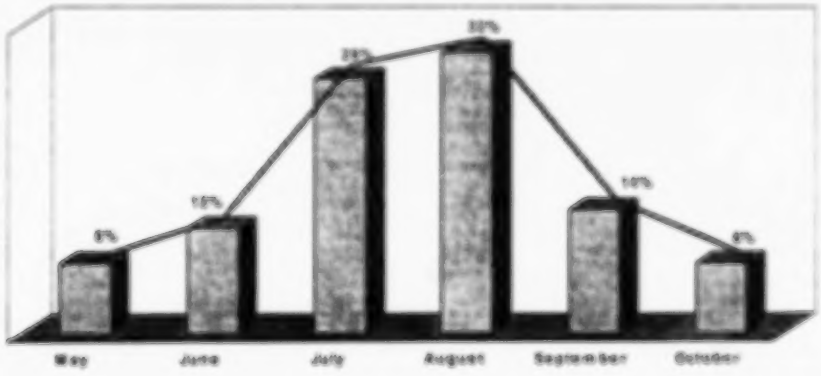
- Hotel/Motel/Resort 26%
- Family/Relatives 26%
- Cottage/Cabin 25%
- Bed and Breakfast/Inn 12%
- Campground/Trailer Park 11%

Average expenditures for visitors who overnighted in Eastern PEI increased by approximately 53% between 1997 and 2001 (from approximately $620 to $950).

Visitors to Eastern P.E.I. spend most of their money on accommodations (33%), restaurant meals (23%), vehicles / travel (11%) and groceries (10%). Crafts and souvenirs, admissions, sports and recreation account for the remaining expenditures.

Despite efforts to extend the shoulder season, most visitors to P.E.I. still travel during the peak months of July and August. The following chart provides an estimate of the seasonal pattern of visitation.

Seasonal Pattern of Visitation



The short tourism season is a serious issue which has impacted on the financial viability of many tourism businesses in Eastern P.E.I.. This is a major challenge, however, a focus on the touring product in combination with existing provincial and federal programs should help increase shoulder season traffic.

To summarize, Eastern P.E.I. has experienced significant growth in tourism in recent years and with good management appears to be very well positioned to take advantage of new emerging trends in the industry.

The following two sections provides a brief overview of emerging trends and other observations which should be considered in developing an appropriate economic development strategy for the tourism industry in Eastern P.E.I..

7.2 IMPORTANCE OF THE TOURING MARKET

Tourism continues to be a growth industry in Eastern P.E.I. Within the tourism sector the "touring market" represents approximately 85% of all visitors to P.E.I. and is the foundation of the tourism industry. To the greatest extent possible, Eastern P.E.I. must continue to identify and capitalize on revenue generating opportunities from the touring visitor. Tourism Atlantic and the P.E.I. Department of Tourism have jointly undertaken several important studies to analyze the touring visitor market and to evaluate our existing touring product. Currently, P.E.I. has three "scenic drives" including the Lady Slipper Scenic Drive in Western P.E.I., the Blue Heron Scenic Drive in Central P.E.I. and the Kings Byway Scenic Drive in Eastern P.E.I. In addition, P.E.I. presently has six "themed regions" which overlay the three scenic drives. Two of the six themed regions, Bays & Dunes and Hills and Harbours, are located in Eastern P.E.I.

During the preparation of this report we were informed that the existing six themed regions may be discontinued and that the three scenic drives are being reviewed with the objective of identifying and implementing a new comprehensive touring strategy which could include new uniform signage throughout P.E.I. and a new marketing and promotional approach, supported by uniform, consistent literature throughout the province.

Certain basic items are common to most successful touring products. These essential ingredients to success have emerged as the demographics and expectations of the touring visitor have changed over the past decade. While there may still be a place in the tourism

market for some products which do not meet these criteria, they are appealing to a continually shrinking market. The following nine essential ingredients for a successful tourism product should provide the underpinnings for the overall touring product in Eastern P.E.I..

NINE ESSENTIAL INGREDIENTS OF SUCCESSFUL TOURING PRODUCTS

1) Well-themed
2) Entertaining
3) Hands-on
4) Educational
5) Authentic
6) Enriching
7) Accessible
8) Experience Exceeding Expectations
9) Value-added Approach

7.3 EMERGING TRENDS

The tourism industry is an area of strategic importance for Eastern P.E.I.. The following six trends are important considerations in developing a plan of action which will ensure the continuance of impressive growth rates in tourism in the Region.

- The establishment of the new National Park at Greenwich will result in an opportunity to increase tourism expenditures in the region. The challenge lies in encouraging visitors to the National Park and implementing strategies to entice them to stay in the region longer.

- There will be a growing demand for specialized activities such as bird watching, fishing, and eco-tourism adventures. Tourists will seek out customized/personalized tours focusing on authentic local experiences.

- Active vacations, educational travel and experience-based trips will continue to grow. The vacation destination which offers a one-week deal and a pool for the kids is of less importance.

- Vacationers will demand more unique experiences with opportunities to revel in the wonders of our natural environment.

- Tourism can be enhanced and the local economic benefits increased in locations (such as Eastern P.E.I.) where people already visit. It is extremely difficult and costly to "create" new destinations.

- Opportunities will emerge in the tourism sector to utilize new technologies to enhance the experience of vacationing knowledge economy workers. With some innovative thinking, Eastern P.E.I. could be an area to pilot these types of initiatives.

These trends can result in new opportunities for Eastern P.E.I.. However, new attitudes must be cultivated and a new strategic direction taken if the Region is to build on its inherent strengths and fully capitalize on these emerging trends.

8.0 TECHNOLOGY SECTOR AND KNOWLEDGE-BASED ECONOMY ISSUES

8.1 THE KNOWLEDGE-BASED ECONOMY

In today's "new economy", competitive advantage, and eventually economic growth, is created through specialized knowledge, speed, innovative business models and the use of new technologies and processes. In the "old economy", natural resources, physical assets and industrial plants drove economic growth. The terms "new economy" and "old economy" are poorly understood terms and the reality is that the line dividing them has become increasingly blurred. For example, a fish processing business could be classified as an "old economy" business, however, the research, development and eventual commercialization of new value-added products and the utilization of communication technologies to conduct business with new customers throughout the world are all business functions requiring expert "new economy" knowledge and skills. During the coming five years there will be much less distinction between the "old economy" and the "new economy" as technology, innovation and knowledge bring traditional and emerging sectors together.

This transformation is occurring because technology is changing the manner in which virtually all businesses, institutions, and government entities conduct their affairs. Whether it is called the new economy, the information age, the technology revolution, the acceleration age or the innovation age matters not; what does matter is that the following trends cannot be ignored:

- **The economy and its marketplaces are now undeniably global.**
- **The internet will continue to change the manner in which business is conducted and will continue to provide instant international market reach to all businesses.**
- **Knowledge and talent will continue to be the most valuable business resources (assets).**
- **The pace of change will continue to be rapid and turmoil in the marketplace will continue.**
- **Competition will continue to increase.**
- **The importance of education will continue to increase.**

- **Entrepreneurial and innovative minds will seize opportunities and create wealth.**

- **Rural communities will face even greater challenges as technology infrastructure and human capital emerge as the basic building blocks for successful economic development.**

8.2 A P.E.I. PERSPECTIVE - CURRENT DEVELOPMENTS/TRENDS/CHALLENGES

It is critical to note that technology is, and will continue to be, important to all sectors as it facilitates change, growth and diversification throughout the economy of P.E.I.. The following initiatives/developments are currently in progress and are important to the development of the technology sector in Eastern P.E.I..

(A) The Province of P.E.I., though Technology P.E.I., is taking a leadership position in providing infrastructure for the advancement of the technology sector with the establishment of the new Atlantic Technology Centre (ATC) in Charlottetown which is scheduled to open in the fall of 2002. Technology P.E.I. also has plans for the establishment of smaller rural technology centres/incubators in O'Leary, Kensington and Cardigan. **As this major initiative is implemented it will enhance the technology sector in P.E.I. and provide the infrastructure needed to facilitate new technology sector opportunities.**

The ATC will be a state-of-the-art 136,000 sq. ft. building with over 65,000 sq. ft. of corporate space, incubator space and amenities such as a business centre, smart boardrooms, interactive theatre, television/production studio, digital audio production lab, digital video editing suite, and internet café and various other common areas. This facility will become the showcase for P.E.I.'s IT sector and will focus on four key segments of the information and communications industry: Interactive Media and e-learning, Internet business, bio-resource informatics and e-Government. The centre will be a unique cluster of government, educational and business entities.

(B) The Virtual Charlottetown Smart Communities Demonstration Project, a partnership between the City of Charlottetown, UPEI, Holland College, Charlottetown Area Development Corporation, Technology P.E.I., Island Tel Advanced Solutions, Confederation Centre, the Town of Stratford and the Greater Charlottetown Area Chamber of Commerce, was awarded one of ten Industry Canada Smart Community projects in 2000. The project involves

twenty-eight major activities including the development of a virtual Charlottetown portal and various initiatives by each of the project partners. The Smart Communities program is part of the Government of Canada's Connecting Canadians initiative, which aims to make Canada the most connected nation in the world. The initiative has 12 demonstration community projects across the country. Virtual Charlottetown will receive over $4.5 million in matching funding from Industry Canada over three years. **Communities in Eastern P.E.I. could eventually participate in this portal or develop similar initiatives using the knowledge/best practices from the Virtual Charlottetown project.**

(C) E-commerce is continuing to grow as more businesses utilize the internet and current technologies to expand markets and improve internal business practices. A growing number of businesses in Eastern P.E.I. are using new technologies on a daily basis to expand markets, communicate more effectively and access new information/resources to improve profitability and competitiveness. **There is, however, a trend emerging in Eastern and Western P.E.I. where rural technology businesses are relocating to Charlottetown because of a lack of qualified human resources, proximity to other technology businesses and because the technology/communications infrastructure is inadequate and/or too costly in the rural regions. This is the beginning of what has been called "the digital divide" which is a new economy "have/have not" distinction.** The digital divide is becoming a reality in rural regions throughout Canada and governments are currently attempting to addressing this issue.

(D) Attracting new businesses and/or expanding indigenous business operations in rural regions is an enormous challenge. One of the most successful economies in the world, Ireland, is a case in point. In Ireland, 85% of the technology-based businesses are centered around the city of Dublin and the Ireland Development Association is now attempting to implement strategies to "push" some of this economic activity into rural areas. The challenges in Eastern P.E.I. are not unique.

(E) Another challenge for rural areas in that technology-based companies often cluster around educational institutions (UPEI/Holland College) and/or research-oriented entities such as National Research Council (NRC) facilities. When the new Atlantic Technology Centre, which will open this fall in Charlottetown, becomes a focal point in the technology sector, the reality is that many P.E.I. entities could realize economic advantage by locating in close proximity to this facility.

(F) Eastern P.E.I. is currently not at the forefront in developing a technology sector. One indicator of this is the low number of firms from Eastern P.E.I. belonging to the Information Technology Association of P.E.I. (ITAP). We have been informed that in a membership of over 100 firms/agencies only about five are from Eastern P.E.I. (several of these entities also have offices in Charlottetown), in part because of the communications infrastructure/cost considerations as noted above.

8.3 INFORMATION TECHNOLOGY SECTOR OPPORTUNITIES

Information technology (IT) is one of the most dynamic and fastest growing sectors in the economy of Atlantic Canada. This industry includes many computer supply and service businesses and encompasses a wide range of businesses involved in areas such as:

- software systems analysis and design
- computer consulting services
- customer programming services
- computer-aided design, management (CAD/CAM) systems services
- internet page design services
- local area network (LAN) systems related services
- computer-aided engineering (CAE) systems services
- planning and designing data base and processing facilities

It is estimated that there are now over 1000 companies in Atlantic Canada operating in the computer services industry. Most are located in urban areas and almost all are classified as small businesses with less than 50 employees although many are growing rapidly.

Other businesses in the IT industry include:

- manufacturers of hardware/communications equipment
- call centres/customer contact centres
- telecommunication equipment providers
- retail equipment outlets
- multimedia businesses
- telehealth businesses
- cable companies
- on-line service providers
- electrical product manufacturers
- internet technologies
- public and private training institutions
- on-line learning institutions
- software developers

This sampling of the diverse kinds of businesses existing in the IT sector illustrates that there are many opportunities for economic growth in this sector. The IT sector is, in fact, expected to experience strong growth for the foreseeable future, particularly in areas such as communications, computer services and skills development.

It should be noted that Eastern P.E.I. currently has an available workforce for a call centre/customer contact centre. These are often not high paying jobs, however, they do result in employment for young people, they do keep youth in the region and they do provide an entry point into the technology sector.

8.4 IMPORTANCE OF COMMUNICATIONS INFRASTRUCTURE

In today's digital world, within seconds we can access information from around the globe and we can communicate and conduct business with unprecedented speed and clarity. The use of technology will continue to impact the manner in which we conduct business, as internet usage increases and as voice (telephone), data (computers and software) and visual image (television) technologies continue to converge. **As these technologies advance and their usage becomes more fundamental to business, education and healthcare, a concern is emerging that a digital divide will become a reality, in rural areas of Atlantic Canada. A digital divide occurs when there is an uneven development of communications infrastructure in urban areas as compared to rural areas. The result is a situation where business, education, and healthcare entities in urban areas operate on a system superior to those in rural areas.** In P.E.I., this digital divide is beginning to emerge as the current high speed network service providers invest in geographic areas with high population densities. These private sector companies will not likely provide cable to all rural areas of P.E.I. because there is not a sufficient customer base to warrant the capital investment. At this point the fundamental question becomes: will government(s) invest in network infrastructure to provide rural areas with the same platform as that available in urban areas? There are many examples of instances where government has intervened to ensure equitable business and social arrangements exist. For examples, highways, hospitals, schools, bridges, water and sanitation facilities are all areas where government has invested, to assure the provision of an equitable range of services to all citizens.

The Government of P.E.I. is developing a plan for an "Advanced Network For Prince Edward Island" which would result in an Island wide fibreoptic network being constructed in three phases. The first phase of this initiative, "An Institutional Phase", would result in access for all schools across P.E.I., all CAP sites, all health facilities and all core government sites. This would be an important first step and it would greatly enhance future opportunities for Eastern P.E.I.. Phase two and Phase three would involve community

service area "rings" and an eventual tip-to-tip system. This initiative is currently on hold however as the Government of Canada has not yet proceeded with the National Broadband Initiative.

There are obviously many complexities around the technology infrastructure issue including funding, control, negotiations with the private sector and the form of entity needed to develop and implement the strategy. After recognizing and giving due consideration to these complexities and challenges it is our opinion that the provision of an adequate technology infrastructure remains a critical issue for Eastern P.E.I.

It is most important for readers to recognize that access to an advanced network has enormous impacts on many areas other than the conduct of business. The following are examples of the benefits/services which could accrue to those who have access to such systems:

- Home Healthcare
- Government Services On-line
- Access to Global Markets for Business
- Access to Educational/Research Information for Teachers and Students
- Development of Community Portals
- Access to Interactive Video Services for Home Use Education, Business, and Healthcare Providers
- Facilitation of Research Projects and a Wide Range of Collaborative Business Projects.
- Remote Learning

8.5 IMPORTANCE OF POST-SECONDARY EDUCATIONAL INSTITUTIONS IN THE REGION

P.E.I. is fortunate to have two highly respected, publicly funded educational institutions in UPEI (including the Atlantic Veterinary College) and Holland College. UPEI/AVC and the main campus for Holland College are located in Charlottetown. Holland College also has a significant presence in the Summerside area where its operations include the maincampus of the Justice Institute of Canada (including the Atlantic Police Academy) and the Aerospace Training Centre. Holland College also operates other smaller centres in rural areas of P.E.I.

Eastern P.E.I. has had a very limited post-secondary institutional presence, however, this is beginning to change as the following entities now exist: the Holland College Welding and Fabrication Institute in Georgetown, the Canadian Golf Academy (managed by Holland

College through Atlantic Tourism and Hospitality Institute) and the Cardigan Fish Hatchery (Managed by UPEI/AVC through AVC Inc.). Holland College also operates small training centres in Montague and Souris.

This strategy does not suggest that the existing structure and location of UPEI or Holland College campuses should be changed, however, it does suggest that it is an appropriate time to examine the current situation and to assess the dramatically changing and important roles UPEI and Holland College will play in knowledge-based economic development initiatives and to determine if there are reasonable expectations for incremental investment in Eastern P.E.I..

Educational institutions greatly enhance the profile of communities in which they are located and they have a major impact on local economies through direct expenditures and indirect economic spin-offs. In January, 2000, the Atlantic Provinces Economic Council (APEC) conducted a study which quantified the direct and induced economic impact of universities in Atlantic Canada. For illustration purposes, information extracted from the APEC report estimated the economic impact of UPEI in the P.E.I. economy as follows (approximate amounts):

• Number of full time undergraduate and graduate students	2,500
• Number of full-time faculty positions	180
• Annual Operating Expenditures (70% wages)	$45,000,000
• Annual Operating Grant	$25,000,000
• Annual Direct and Induced Economic Impact on P.E.I. Economy	$75,000,000

In addition to direct salaries and general operating expenditures, educational institutions contribute to the economy through expenditures by students who spend funds on accommodations, food, books, transportation and personal items. Most of the direct economic benefit from UPEI is in the Charlottetown area.

We do not suggest that either UPEI or Holland College change their current structures or locations. We do recommend, however, that Eastern P.E.I. explore innovative ways to increase the presence of these institutions in the Region. Section 10.0 of this report suggests specific initiatives which should assist in accomplishing this goal.

9.0 RECOMMENDED FIVE YEAR ECONOMIC DEVELOPMENT STRATEGY

9.1 ISSUES OF FUNDAMENTAL IMPORTANCE

Several issues have been identified as being of fundamental importance to the successful implementation and execution of an economic development strategy for Eastern P.E.I.. **Unless these issues are adequately addressed the prospects for the success of the development strategy articulated in this report are greatly diminished.** The issues identified as being of fundamental importance to the Region are as follows:

(1) Maintaining Vital Transportation Links

Certain key components of the transportation infrastructure of Eastern P.E.I. are dependent on the continuance of adequate government funding. Most important among these government-dependent transportation components are the Wood Islands-Caribou ferry service, the Souris-Magdalene Islands ferry service and deep-water port services in Souris and Georgetown. **As a minimum, status quo maintenance of these vital transportation and port services is fundamental to the success of this economic development strategy.**

(2) Education, Literacy and Skills Development

Governments at all levels, as well as business and community leaders, must develop and implement effective strategies to improve the education and literacy levels among the adult population of Eastern P.E.I.. A concerted effort is required to encourage high school students to complete their Grade XII study requirements and to remain in the education program stream (whether academic, technical or vocational) to develop the skills and attributes necessary to obtain meaningful and rewarding permanent employment. **Substantial and continuous investment resulting in the achievement of measurable progress in addressing education, literacy and skills development issues is fundamental to the success of this economic development strategy.**

(3) Integration of Skills Development Initiatives With Strategic Development Projects/Initiatives

Investing in the development of job skills for which insufficient present or anticipated demand exists makes little economic sense. Moreover, it is extremely frustrating for individuals to upgrade their skills to obtain meaningful and rewarding employment only to find no such opportunities exist. During the next 5 years, however, education requirements for most jobs will continue to rise and the fastest growing occupations will be in managerial, professional and technical fields - all requiring high levels of education and skill. Fewer and fewer opportunities will be available for high school dropouts. In this strategy we highlight the need for an increased presence from educational and research institutions in the region which will result in new technical and professional opportunities in Eastern P.E.I.. **Substantial and continuous investment must be made in integrating skills and knowledge development initiatives with realizable strategic development projects/initiatives.**

9.2 STRATEGIC FOCUS ON INFRASTRUCTURE STRENGTHS OF THE REGION

Economic development strategies which build on existing infrastructure strengths (e.g. built facilities, natural landscapes and coastline attributes, underutilized land base, available human resources, etc.) tend to be more cost efficient and less risky, and therefore more likely to be successful in terms of short-term viability and long-term sustainability. Given the limited financial resources of government, resources should be directed where possible to projects/initiatives requiring minimal investment in the creation of new supporting physical infrastructures.

9.3 STRATEGIC FOCUS ON ADDING VALUE TO MATURE RESOURCE-BASED SECTORS

The agriculture, fishery and forestry sectors of the Eastern P.E.I. economy are relatively well-developed and mature in terms of their capacity to produce and/or harvest raw resources from the land and sea. Economic growth can be leveraged by adding value through further processing of resources presently exported from the region in a raw or semi-processed state. Making prudent investments in existing, successful processing operations to up-grade their ability and capacity to process or manufacture new, value-added products, utilizing raw materials presently grown and/or harvested within the Region, is often more cost-efficient and less risky than investing in start-up businesses and new facilities.

9.4 STRATEGIC FOCUS ON NEW AND EMERGING SECTORS LEVERAGED FROM EXISTING STRENGTHS

Eastern P.E.I. cannot afford continued reliance on the existing resource-based sectors to develop and grow its economy. Opportunities for economic growth exist in the new and emerging sectors of the economy, however, development of these sectors comes with high costs and significant risks. The costs and risks of participating in new and emerging growth sectors of the economy can be mitigated by concentrating resources and efforts on developing those sectors which can be leveraged on the mature resource-based sectors (e.g. agriculture, fishery and forestry) and existing infrastructure strengths (e.g. built facilities, transportation and communication systems, land and water resources, available knowledge and expertise, etc.). Examples of new and emerging sectors of the economy which appear to fit these criteria are the aquaculture, food processing, information technology and biotechnology/pharmaceutical/medical products sectors.

9.5 STRATEGIC FOCUS ON PROJECTS/INITIATIVES WITH SIGNIFICANT ABILITY TO LEVERAGE PRIVATE SECTOR INVESTMENT AND ADDITIONAL ECONOMIC ACTIVITY

In selecting and participating in private sector projects/initiatives which require public funding support at start-up, government should give priority to projects/initiatives exhibiting the following characteristics:

- High potential to attract private sector investment to the selected project/initiative and to encourage private sector investment in related or complimentary projects/initiatives which otherwise might not be considered viable.

- High potential to create meaningful and rewarding full-time employment opportunities (as compared to seasonal, unskilled employment) and economic spin-off activity, particularly in the retail and service sectors of local economics.

- High potential for commercial success, without requiring on-going government financial support to sustain operations, based on strong private sector equity investment and proven management skills, and supported by a comprehensive business plan including a thorough market analysis and achievable marketing plan. Ultimately, sales, marketing and distribution are critical to achieving commercial viability with any product or service.

9.6 STRATEGIC FOCUS ON KNOWLEDGE

Low education levels and literacy rates and the lack of a sufficiently skilled work force continue to present a fundamental impediment to developing and sustaining the Eastern P.E.I. economy. The local presence of educational, training and/or research facilities providing vocational training, technical skills development, research capabilities or venues for other forms of adult education would have a strong catalytic effect on building a skills and knowledge base and a "knowledge culture" (i.e. a culture where education, knowledge and skills are sought after and valued). The physical presence of such facilities (i.e. a knowledge infrastructure) within a community or region is highly conducive to encouraging both youth and adults to continually participate in educational and training programs. As well, there are significant and immediate economic benefits resulting from the employment of professional, administrative and maintenance personnel to service these facilities which, in turn, has significant spin-off benefits to local retailers, service providers and other businesses.

There is little doubt that if Eastern P.E.I. is to transform and add value to its resource-based economy, both government and the private sector must commit to a substantial and sustained long-term investment in closing the existing skills and knowledge gaps and creating an environment where innovation is encouraged and rewarded.

9.7 STRATEGIC FOCUS ON ATTRACTING NEW BUSINESS AND MAINTAINING ECONOMIC MOMENTUM

Success breeds success. As a direct result of the many economic development projects/initiatives implemented successfully over the past 5 - 6 years within Eastern P.E.I., a growing sense of pride and optimism for the future has developed within the Region. Now the Region must continue to develop and implement strategic projects/initiatives in order to maintain economic momentum.

The competition among geographic regions, both domestically and internationally, to attract new business is intense. A highly-focused regional strategy, supported by all levels of government (federal, provincial, municipal) and by the private sector, is required. The vital components of an Eastern P.E.I. regional strategy to attract new businesses include the following:

- A clear focus on attracting investment in those sectors of the economy which present the best opportunities for sustainable economic development (i.e. build on the Region's existing sectoral and infrastructure strengths).

- A clear focus on attracting investment in those sectors of the economy which best fit within the context of an Atlantic Region strategy and a Provincial strategy in order to optimize access to federal and provincial funding targeted to these strategies.

- An attractive "incentives package" which, as examples, might include availability of low cost land, tax rate incentives, tax-free zones, tax holidays, job creation incentives, equity investment incentives, low cost financing, and government equity or loan investment.

- A well-trained, aggressive and credible sales team (i.e. "prospectors") to promote the Region's attributes and target specific, appropriate candidates for new business start-ups or re-locations, consistent with the Region's over-all economic development strategy.

- A central authority offering "one-stop shopping" with respect to providing critical information (e.g. availability of land, labour and other resources, zoning regulations, required permits and licensing, financing and investment sources, government assistance programs, etc.) and start-up or re-location assistance with a minimum of bureaucratic delay and red tape.

9.8 STRATEGIC FOCUS ON THE INTERDEPENDENCY OF THE ENVIRONMENT AND THE ECONOMY

Long-term economic growth in Eastern P.E.I. is highly dependent on the preservation and enhancement of the Region's physical environment. The Region's tourism industry, with its focus on the touring visitor and green tourism attributes (landscapes, seascapes, parks, beaches and other recreational assets) is particularly dependent on the preservation and enhancement of the environment. The Region's primary resource sectors (agriculture, fishery and forestry) also depend on good environmental stewardship to ensure the continuous renewal of natural resources. Health-conscious consumers of agricultural and fishery products are increasingly aware and discriminatory with respect to the environmental conditions existing where foodstuffs are grown and harvested. Now, more than ever, each and every development taking place within the Region, regardless of its short-term economic impact, must be measured and assessed carefully to ensure that its impact on the environment is positive or, at worst, benign.

10.0 STRATEGIC INITIATIVES AND PROJECTS

10.1 INTRODUCTION

The terms of reference for this study call for the Consultants to identify sectors of the economy of Eastern P.E.I. with high potential for sustainable economic development and, within those sectors, identify projects/initiatives which are believed to be of major strategic importance with respect to generating sustainable economic growth and development within the Region.

During the course of this study, dozens of specific projects/initiatives were suggested, many of which appeared viable and could potentially contribute to the long-term economic growth of the Region. We have attempted to prioritize projects/initiatives of major strategic importance in terms of their potential to (1) provide significant leverage (by way of skilled job creation and other economic spin-offs) on government funds invested, (2) have a catalytic effect on the economy, (3) be viable and sustainable in the future and/or (4) attract private sector investment. All of the projects/initiatives selected are believed to be in harmony with the strategic focus criteria comprising the recommended five year economic development strategy, as set out in Section 9.0 of this report.

The projects/initiatives selected as being of major strategic importance were chosen in large measure for their infrastructure characteristics and, consequently, their ability to lay a strong foundation for future economic development in the Region. While these projects/initiatives are of fundamental importance they are but the first steps to achieving sustainable economic development. The real engine of sustainable economic development continues to be the Small Business sector. The real measure of success for this five year economic development strategy will be the jobs created and the economic growth generated by small businesses throughout the Region.

Descriptions of the projects/initiatives selected as being of major strategic importance are summarized below.

10.2 A SERIES OF CAPITAL INVESTMENTS TO ESTABLISH TOURING DESTINATIONS

Eastern P.E.I. could achieve greater economic benefit from the touring visitor by developing well-themed, professional managed touring products in Eastern P.E.I. which build on

existing strengths and incorporate high quality, value-added features. **We recommend a series of capital investments over the next three to four years to create approximately eight to twelve (8-12) authentic, educational and entertaining touring destinations in Eastern P.E.I.. Each of these individual touring destinations should incorporate the essential ingredients of the successful touring products detailed in Section 7.0 of this strategy.**

This strategic initiative is of fundamental importance to the long term development of the tourism industry in Eastern P.E.I.. It is consistent with the overall provincial tourism strategy, and it strengthens a growing sector in eastern P.E.I..

The objective of this initiative is to attract incremental visitors to eastern P.E.I. and to encourage touring visitors to stay longer and spend more in the Region.

This series of strategic capital investments will:

- Increase overnight traffic and extend travel periods in Eastern P.E.I. thereby inducing significant benefits for accommodations operators, services and retail businesses within the Region.

- Compliment new provincial government touring product strategies.

- Build on the inherent natural assets and the existing tourism infrastructure in Eastern P.E.I. This type of initiative has been proven to work in tourism regions outside of P.E.I.. It will require strong support from the Government of Canada through ACOA, and the Province of P.E.I..

We recommend that the new ACOA sub regional office, in cooperation with the Province of P.E.I. and a newly mandated Active Communities Inc. (see section11.0) be involved in assessing opportunities under this initiative.

We recommend that each touring destination (as a condition of their funding support) be required to adhere to a set of operational and administrative guidelines. These guidelines are summarized as follows:

- Agreement to adhere to and maintain the nine essential ingredients of successful touring products.

- Agreement to operate seven days per week with predetermined minimum daily operating hours during a fixed operating season.

- Agreement to deliver an authentic and entertaining experience at each location. The development of the audio-visual "product" would typically be professionally authored, scripted and packaged, ensuring that while each site would offer their own individually designed experience with a duration in the range of 90 to 180 minutes, the product in each location would be of sufficient quality to meet high minimum quality standards.

- Agreement to have all staff trained (likely by the Atlantic Tourism & Hospitality Institute).

- Agreement to incorporate value-added product (e.g. a site might offer unique local food, beverages, live entertainment, etc.) in conjunction with the touring product experience offered.

Examples of Potential Touring Destinations

The following are examples of the kinds of projects which could proceed under this initiative. These projects could meet the criteria detailed in this report and offer potential as leading destination-type sites. Readers should recognize however that these projects are presented as examples only. Other excellent ideas for touring destinations will certainly emerge subsequent to the completion of this strategy.

Example (A) East Point Lighthouse

This site has potential as a touring destination because it offers a variety of truly unique experiences, the natural beauty of the site is world class and basic infrastructure is already in place. This project would entail a well-planned expansion/upgrade to establish the site as a destination and to capitalize on the historical, educational and environmental features inherent in this area. The site is presently under-utilized and undersold. Ways must be developed to enrich the experience for visitors and to generate revenue at the same time. The dunes and beaches, bird watching, natural environment touring, marine history and walking trails are all potential opportunities which could be developed at East Point. The site could offer guided, pre-scripted tours and a small (low overhead) themed (marine) food service amenity. The goal as noted earlier in this strategy is to provide unique, educational, authentic and professionally delivered experiences. If properly developed this experience is one for which a fee could be charged and one which would result in visitors staying longer and having a more fulfilling and enjoyable vacation in Eastern P.E.I.. This concept requires a business plan including capital cost estimates, a proposed financing plan and a marketing plan.

Example (B) Basin Head

Basin Head is already a well known tourist destination and it has an existing infrastructure consisting of buildings, museum, bridge, boardwalk etc. which is conducive to the further development of the site as a touring destination. Basin Head requires a facility upgrade and a professional approach specifically developed to meet the expectations of a touring visitor. A hands-on pre-scheduled (e.g. twice daily) tour/experience could highlight dune ecology, natural history and incorporate modern technology, photo opportunities etc. A small scale authentic dining option should be included as part of the experience.

We recommend that this concept be fully developed with a cost/benefit analysis, a capital budget/financing plan, a conceptual site plan prepared concurrently with the site development strategy. Capital expenditures could include additional boardwalks, boats for touring the area lagoons and dunes, sea kayaks, signage, system of trails, a new or expanded building as an adventure centre and development costs for the preparation of a pre-scripted, technology enhanced tour.

Example (C) Roma Historic Interpretive Centre

A Roma Site Committee has recently been established by residents of the surrounding Three Rivers district. This committee is dedicated to meet the challenge of responsible management of the unique heritage resources of the Roma Site.

The visible and buried ruins of the settlement at Brudenell Point offer a unique and tangible reminder of the rich historic value of this site. Yet this fascinating story remains largely unknown to Islanders and visitors. In addition to the heritage resources located on this point of land, the site offers one of P.E.I.'s most panoramic views.

The vision of the proponents of this initiative is to create a well-developed interpretive and educational program at the Roma site, serving as the anchor for a comprehensive range of historic/cultural sites, programs, and activities in the Three Rivers area. In advancing this vision the intent would be to (a) preserve and promote the heritage of the site (b) protect the historical and archaeological integrity of the property, (c) utilize the developed site as a key component of cultural tourism development in the Three Rivers area and (d) provide a world-class cultural and educational experience.

The centre would potentially offer a unique and technologically advanced virtual experience (as opposed to extremely costly site restoration/reconstruction).

This is an intriguing project, however it is still only at a conceptual phase. The next step is to prepare a development strategy and business plan complete with a proposed financing package. This is a complex initiative in that it could involve the Province of P.E.I. (to provide authority for site development and a potential property lease), Parks Canada, Canadian Heritage, ACOA, HRDC , P.E.I. Departments of Development and Forestry and others. Given these complexities we recommend the Roma Site Committee establish a Steering Committee mandated to develop a terms of reference and secure funding for a comprehensive development/business plan with a view towards the eventual establishment of the Roma Historic Interpretive Centre.

Example (D) Southern Kings and Queens Cultural Tourism Project

The Murray River/Murray Harbour area, including the entire Southeastern shoreline to Wood Islands, is one of the most picturesque regions of P.E.I.. The Murray Islands, the fishing harbours, the craft outlets, the small village experiences, the coastline and a rich nautical history are all potential contributors to the development of a unique touring destination. A touring destination in this area could be developed which builds on the existing infrastructure and interpretive centre at McLures Pond. The Belfast area also has a rich cultural history and existing infrastructure which could be expanded.

A number of community organizations representing this area have been organizing efforts to develop specific sites and to coordinate linkages for a regional cultural tourism experience. We support this initiative as it fosters both broadly based inter-community co-operations and the overall touring product strategy.

Example (E) Orwell Corner Historic Village

The Orwell Corner Historic Village, located near the Trans-Canada Highway in Orwell Corner, P.E.I., has been in operation for close to 30 years and, together with Basin Head Fisheries Museum and Elmira Railway Museum, is considered to be a key component of the "heritage" tourism business in Eastern, P.E.I.. Recognizing the need to revitalize the Orwell Corner Historic Village, the Orwell Corner Historic Village Planning Committee commissioned a consulting firm to prepare a Strategic Development Plan which was completed in June, 2001.

The Plan calls for acquisition of additional land, reconfiguration of access to and egress from the site, new parking areas, upgrades to existing facilities and the design and construction of an Agricultural Heritage Museum (the "Museum"). The Planning Committee intend to create a "living village" within the Historic Village complex, complete with costumed animators (village residents), authentic buildings and dirt roads to complement the Museum and create an attractive destination for touring visitors. The Plan would elevate the status of Orwell Corner Historic Village, including the Museum, to that of a major tourist attraction on P.E.I. and a focal point for the tourism business in Eastern P.E.I.

The Plan also calls for a Collection and Conservation Centre (the "Centre") to be constructed concurrently with the Museum within the confines of the Historic Village. The Centre will permanently house P.E.I.'s extensive and valuable collection of historic artifacts and, as well, service a new market of local and regional heritage sites seeking to borrow from the Centre's extensive collection or to utilize the Centre's conservation service.

The Orwell Corner Historic Village, once improved in accordance with the Plan, will be ideally suited to become an integral part of the Eastern P.E.I. touring product and it will compliment and enhance the other specific sites noted in this section.

Example (F) Themed Experiences with a Focus on Fun or Soft Adventure

Ideas for unique themed experiences with a focus on fun should emerge from this process. Themes with historical interest such as rum running, shipwrecks, folklore and tales of the past, ghosts and haunted houses are all intriguing and conducive to a hands-on, educational and entertaining experience. These themes could also utilize technology to enhance the tourist's experience. Potential locations could include the Mt. Stewart/Morell area, the Belfast Area or Georgetown (perhaps building on the existing Kings Playhouse infrastructure).

Example (G) Unique Private Sector Businesses

There are private sector businesses in Eastern P.E.I. with the potential to have trained staff provide guided tours. Several of these businesses already have some tourists visiting their premises. Current examples are the Rosignol Winery and International Spinners in Southeastern P.E.I.. Both are fascinating, unique and fun sites which could become touring destinations if the owners were inclined to develop this niche opportunity.

Example (H) Elmira Miniature Railway

The Friends of Elmira Railway Museum is a not-for-profit corporation formed to promote and develop the Elmira Railway Museum. The corporation is governed by a ten member board of directors from the community and they are proposing the constructions of a miniature railway in Elmira, P.E.I., adjacent to the Elmira Railway Museum. A trail would be cut through the woods and one mile of track laid for the railway. A tunnel, storage sheds and maintenance building will also be constructed to enhance the product and store the trains when not in use.

The proposed miniature railway in Elmira would be a unique attraction in Eastern P.E.I. and it would compliment the East Point and Basin Head sites. The project should include a marketing plan as well as a pre-scripted touring package to ensure the inclusion of the nine essential ingredients of successful touring products as detailed in Section 7.0.

Example (I) A First Nation Cultural Experience

An opportunity exists for the Aboriginal community in Eastern P.E.I. to develop products and services unique to their culture. Soft adventure themes such as canoeing, backpacking and recreational fishing could be developed together with a more elaborate destination including a Native Village with strong historical, educational and cultural significance. This project could access funding from sources such as the Government of Canada Department of Indian and Northern Affairs and Heritage Canada. This destination would complement other touring sites and if it is managed in a professional manner it could enhance the overall touring experience in Eastern P.E.I..

In a related initiative the Atlantic Tourism & Hospitality Institute in partnership with the Lennox Island First Nation is collaborating on the development of a new Aboriginal Tourism program. This course will be specifically designed to meet the needs of aboriginal participants by creating an introductory tourism & hospitality program. The customized program will enable participants to take the first steps in developing entry level skills in the worlds fastest growing industry.

10.3 A TECHNOLOGY IN TOURISM PILOT PROJECT

Background and Rationale

Visitors to Eastern P.E.I. will want to visit some of the leading destinations such as those noted above however, tourists will also be interested in a wide range of unique touring products and activities such as:

- Lighthouses
- Historic Sites
- Walking trails
- Outdoor adventure sites
- Unique vistas
- Churches
- Museums
- Beaches
- Craft Outlets
- Eco-sites
- Inns
- Harbours
- Bird watching sites
- Canoeing/kayaking/bicycling
- Agricultural/crops of interest
- Themed food services and local cuisine (e.g. seafood)

This is not a complete listing but it does illustrate the wide range of specialized touring products and activities that visitors enjoy.

Project Description

At present, information is available to tourists, however, it is often not well-packaged or presented.

We recommend the implementation of a technology in tourism pilot project. The objective of this pilot project will be to help visitors develop their own customized/personalized itinerary and to utilize new technologies to achieve this goal. We want to help visitors have a more enjoyable visit, we want them to stay longer, we want them to tell others about their great experiences in Eastern P.E.I. and we want them to come back. Under a piloted technology initiative, ACOA and the Province of P.E.I. could jointly introduce the service as a pilot in Eastern P.E.I. with the potential to expand the service to the remainder of the Province following in-field testing.

We recommend that the Atlantic Tourism and Hospitality Institute (ATHI) take the lead in developing and delivering the pilot project over a three year period. With the assistance of contracted external expertise, ATHI is the ideal organization to develop the pilot because:

(a) ATHI has in-house management and expertise in the tourism industry,

(b) ATHI could use a team of tourism students to develop the content for each of the touring themes,

(c) ATHI could engage a team of Holland College students enrolled in the new Interactive Multi Media program to work on the technology components/software development, and

(d) ATHI would be well positioned to eventually deliver the initiative on a province-wide basis.

The concept uses technology to provide visitors with media-rich touring materials and a customized tour developed with the assistance of a councilor. Research has indicated that the kiosk type product where the client works unassisted on an itinerary is not an effective approach. Following a series of questions posed by a councilor or interpreter to determine the visitors interests and preferences, the appropriate mini tour is selected and the personalized printed tour is produced. On-demand printing gives the visitor the impression that he/she is being provided with a truly customized itinerary. Personal service will also play a vital role in retaining visitors within the touring region.

At the heart of the service is a software application used to present, select, and maintain media-rich mini-tour materials and itineraries. We propose that the service be piloted in four Visitor Information Centres (VICs) located in Eastern P.E.I.. These proposed locations are:

- Wood Islands VIC
- Pooles Corner VIC
- Souris VIC
- St. Peters VIC

Once a visitor has entered a VIC he/she must be attracted to the touring product. One method would have the interpreter or councilor present the touring product to the visitor when approached for assistance. The preferred method would be to interest the visitor in the product first and have him/her request more information. One way to do this would be to have a large 42 inch plasma monitor and speakers mounted on the wall of the VIC. When not in use by a visitor, interpreter, or councilor, a multimedia presentation would loop and describe the main scenic drive and each mini tour. At any time, a user could interrupt the presentation. The main screen would display a map of Eastern P.E.I. with an icon for each mini tour.

tours in a media-rich format. Selecting a themed icon from the software's main screen will initiate a video presentation describing the mini tour and each of its attractions using a series of 20-30 second clips.

The service could be piloted in Eastern Prince Edward Island in conjunction with the expected re-introduction of the Province's three coastal drives. During the pilot, the service will focus on the King's Byway (or new brand name), providing touring materials for the main drive. It is anticipated that following a successful pilot, the product would be expanded to include both the Blue Heron and Lady Slipper Drives. Additional mini tours would be developed for each of these drives. Each customized tour would lead the tourist into areas of the region off the main coastal drive however their tour would start and end on the primary coastal route. It is important to note that the customized tours are not an alternative to the primary coastal drive rather it is intended to add value and provide an enhanced experience to the tourist.

10.4 MONTAGUE GARDEN OF THE GULF MUSEUM AND WATERFRONT PROJECT

During the past five years the Town of Montague has made significant improvements to the north side of the river including waterfront improvements, a new hotel and the establishment of the Correctional Services Canada Addictions Research Centre. The Town has recently developed conceptual plans for a waterfront initiative on the south side of the bridge.

Phase I

Phase I of this initiative is a major renovation and expansion of the Garden Of The Gulf Museum. The museum is an historic landmark in the Town of Montague. It is structurally sound and even in its current state it is an attraction of growing interest as it houses a wide range of interesting, unique and educational displays. The property is managed by a non-profit entity which is controlled and financed by the Town. The Town has invested in various capital repairs in recent years to maintain the property. The museum, however, is not being utilized to its maximum potential. The vision is that the museum once improved, would have a much greater "presence" in the community. It would generate more direct traffic with an improved interior and new attraction features and it would have significant indirect benefits as visitors would spend longer periods of time in Montague centre walking to close proximity shops and enjoying the waterfront.

Phase I

Phase I of this initiative is a major renovation and expansion of the Garden Of The Gulf Museum. The museum is an historic landmark in the Town of Montague. It is structurally sound and even in its current state it is an attraction of growing interest as it houses a wide range of interesting, unique and educational displays. The property is managed by a non-profit entity which is controlled and financed by the Town. The Town has invested in various capital repairs in recent years to maintain the property. The museum, however, is not being utilized to its maximum potential. The vision is that the museum once improved, would have a much greater "presence" in the community. It would generate more direct traffic with an improved interior and new attraction features and it would have significant indirect benefits as visitors would spend longer periods of time in Montague centre walking to close proximity shops and enjoying the waterfront.

The project would include the addition of an elevator tower and stairway, renovations to all existing interior areas, a new genealogy initiative, the addition of a new ground level waterfront entrance and a new parking area.

Phase II

The second phase of this initiative is integral to the overall Montague waterfront strategy and links the Garden Of The Gulf Museum project to the already completed north side waterfront development. This phase is infrastructure in nature and includes walkways, waterfront improvements, landscaping and a foot bridge which would connect the north and south sides of the waterfront. Capital costs for Phase II have not as yet been developed however conceptual drawings have been completed. This second phase will involve negotiations with Irving Oil and site issues must be resolved. The bridge itself would be a unique attraction and would also highlight the working wharf and fishing activities, provide linkage to existing walking trails and capture and provide alternative activities for the 90-100 bus tours which currently stop in this location to participate in seal tours.

This development would raise the profile of the Montague waterfront to a "destination status". **We recommend that the Town of Montague through the Garden Of The Golf Museum and the Waterfront Development Committee immediately prepare a detailed business plan complete with capital cost estimates, a proposed capital financing plan and an implementation plan for both phases of the Montague waterfront initiative.** We suggest a small Steering Committee be

established to advance the project and engage the appropriate professionals to develop the plan.

10.5 CONTINUING THE SOURIS DOWNTOWN REVITALIZATION AND A MARINA DEVELOPMENT PROJECT

Souris is the focal point of the Eastern Kings region and the town has suffered serious setbacks during the past decade. Investment by all levels of Government in projects such as the Souris Food Park, Basin Head and the Matthew & McLean historic property have produced positive results, however, much remains to be done. Due to geographic location and a changing economy some initiatives are more challenging to locate in Souris. The Town has recognized these limitations and has been very proactive in surveying residents and developing plans which build on the inherent strengths of the community.

In 2001 the Town of Souris engaged a community planning firm to prepare a Master Plan for the Downtown Redevelopment. The Plan identified a five block area as the focus of the revitalization initiative and included a series of nine individual improvement projects. The strategy focused on projects which protect and restore historic buildings, create landscaped open space and which enhance the growing tourism sector.

The Town is currently investigating or working on several projects including:

(A) Waterfront Boardwalk Project,
(B) Recreational Waterfront and Marina Development, and
(C) Downtown Historic Building Renovations (next phase)

The waterfront boardwalk project has met with several challenges, including environmental concerns and financing. Notwithstanding these challenges, this initiative would greatly enhance the Town of Souris as a tourism destination, it would strengthen existing entities such as the Matthew & McLean property and it would lead to other developments/opportunities. The Souris waterfront offers a unique and memorable view scape and it is currently underutilized. We support this initiative provided that environmental and financing concerns can be effectively addressed.

A Souris Recreational Waterfront and Marina Development committee was established in 2001 to advance the waterfront/marina project. The focus on a

waterfront/marina development was an outcome from a comprehensive community survey of 1500 area residents.

This initiative is complementary to the boardwalk project and is the type of infrastructure investment which could leverage other activity in the waterfront area. Examples of other developments include small food and craft businesses, recreational water activities, sight seeing tours, fishing and adventure excursions and cultural/educational activities. In addition this development would benefit existing retail and service businesses in the downtown area. We encourage a long term view consistent with the downtown master plan and caution only that the project must create an infrastructure and facilities which meet the expectations of the marine traveler and which are of a quality that will attract further private sector investment. We support this initiative and encourage the committee to proceed with a detailed plan that will maximize impacts and linkages from this development.

The Souris harbour is one of the best deep water parts in the Maritimes and, as noted in the 1995 Economic Development Strategy, this port could be integral to further commercial development. We have again highlighted this asset but have addressed commercial development primarily in section 10.13 of this report where we recommend action be taken to better promote and utilize the Souris Food Park infrastructure.

Planning for the next phase of the downtown historic building renovations should proceed as quickly as possible to keep the momentum going for this overall initiative. The Matthew & McLean property development (through Phases I and II) has now been successfully completed. The next project will require a complete business plan and some innovative approaches in financing. First, however the Town must evaluate all options and commit to a next project. Consideration should be given to economic impact, capital costs, ability to engage the private sector and practical property development challenges which could impede a timely development schedule. The next phase of this development should also include an analysis of the specific initiatives which might best provide linkages for the Main Street and waterfront development projects.

We recommend the implementation of a Souris waterfront project consisting of a waterfront boardwalk and a marina development. We also recommend that a detailed plan be prepared for the next project in the Souris Downtown Revitalization Initiative.

10.6 CARDIGAN AREA INTERPRETIVE CENTRE PROJECT

The residents of Cardigan have been developing a plan to establish an interpretive centre and waterfront development in the village. The Cardigan area has a very rich shipbuilding and marine history and this centre would highlight this history and become a community focal point for both residents and touring visitors.

The project will potentially include the following components:

(A) Upgraded facilities for recreational boating (dredging, wharf repairs, parking etc.)

(B) The establishment of an interpretive/educational centre highlighting the ecology and history of the Cardigan area as well as environmental management/aquatic health themes and visitor information services.

(C) Provide public access to the waterfront for walking, sightseeing and recreation linked to a waterfront trail network to the Confederation Trail and the local tea room/village park/train station.

(D) Create a waterfront boardwalk atmosphere which could lead to the establishment of small scale tourism businesses (e.g. arts, crafts, clothing, boat tours, rentals etc.)

This project has strong infrastructure characteristics, it builds on existing strengths and it could leverage future private sector investment. The successful implementation of the project is contingent upon a substantial government investment. The eventual success of the project will require strong community buy-in and leadership.

We recommend the establishment of a Cardigan Area Interpretive Centre and a waterfront improvement initiative.

10.7 ST. PETERS DEVELOPMENT CORPORATION QUIGLEY HALL AND COMMUNITY INFRASTRUCTURE PROJECT

The St. Peters Development Corporation have prepared a plan which would dramatically enhance the St. Peters area and help retain tourism traffic in the

community. The project is primary infrastructure in nature and includes the following components:

(A) The restoration of Quigley Hall, an historic property,

(B) The construction of Bayside Landing, a small park area adjacent to the turn-off to Souris and

(C) A boardwalk and pedestrian bridges linking the Visitor Information Centre to the community core.

The Quigley Hall is an historic property constructed in the 1800's, originally as a court of law around the time when P.E.I. entered Confederation. This project would involve the restoration of this property as well as a significant infrastructure investment in the community.

We recommend the Quigley Hall project, the construction of Bayside Landing and the development of local pedestrian bridges and boardwalk in St. Peters.

10.8 BUILDING SMARTER COMMUNITIES - A FIVE POINT PLAN

Section 8.0 provides an overview of emerging knowledge economy issues and highlights a whole range of challenges which must be addressed if Eastern P.E.I. is to participate in technology and knowledge based opportunities. Based on this analysis we have developed a strategy which we believe can create a culture of innovation and which will result in an enhanced knowledge infrastructure. This is a complex area where there is no single solution, however, it is arguably the most important element of the five year strategy.

The Building Smarter Communities initiative focuses on the following five courses of action:

A. **Become more proactive in developing niche opportunities for specialized training centres.**

B. Become more proactive in engaging Correctional Services Canada, UPEI/Atlantic Veterinary College, Holland College and the P.E.I. Food Technology Centre in research based economic development initiatives.

C. Establish a Community - Led Technology Task Force to address the digital divide issue and accelerate the development of an innovation culture in Eastern P.E.I..

D. Aggressively pursue a more substantial government presence in the region (especially government entities/functions with a technology or research orientation).

E. Aggressively pursue the establishment of a new customer contact centre in the region.

Each of these strategies is outlined below. It is important to recognize that these activities are all connected and if implemented they will collectively result in the long term development of a more knowledge intensive economy in Eastern P.E.I..

A. We recommend that Eastern P.E.I. become More Proactive in Developing Niche Opportunities for Specialized Training Centres

For generations we have understood and accepted the fact that the primary function of Canadian Universities and Colleges was to educate our youth. This traditional role in society resulted in leading educational institutions operating large campuses with centralized instructional facilities, administration and student services functions. Understandably this is a cost efficient approach and it is appealing to students who enjoy a campus atmosphere. For these reasons it has been difficult to develop cost efficient models where sub-regional University or College campuses are located in rural areas (e.g. if you were to offer the same program in Charlottetown and rural P.E.I. it would be a challenge to generate the enrollment numbers required to make the rural operation break-even). The exception to this rule has been when schools such as Holland College locate specialized trades training in close proximity to strategic private sector businesses. Examples of this include the Holland College Aerospace Training Centre and The Justice Institute of Canada, both located in Slemon Park, and the Atlantic Welding and Fabrication Institute located in Georgetown. More of these kinds of developments are possible and should be

pursued. Examples of potential new or expanded training centres could include the following:

(i) **We recommend the establishment of a small specialized training institute related to wood products manufacturing.** A wood products cluster is emerging around the Pooles Corner/Georgetown/Cardigan area and a study has already been conducted on the expected demand for such training. This initiative could involve the participation of local private sector partners such as Georgetown Timber, Royalty Hardwoods, Tamarack Wood Products and Roseneath Homes/Atlantic Store Decor.

(ii) **We recommend an expansion of the Atlantic Welding and Fabrication Institute in Georgetown.** A plan to expand the facility to include an underwater welding division has recently been announced by Holland College with the support of ACOA and the Province of P.E.I.. In our view this Institute is well positioned to continue to expand as opportunities, skills shortage and research opportunities continue to emerge in these trade areas.

(iii) **We recommend the establishment of a Behavioral Based Training Institute in Stratford.** A detailed business plan for this entity has been completed and could proceed with minimal government support from the P.E.I. Departments of Health and Education. It has been proposed that this entity be jointly managed and delivered by UPEI and Holland College. Such an institute could lead to other research or training opportunities. Establishment of this small Institute could have long term positive impacts in our health care sector as well. This initiative is highly recommended provided an Executive Director of international caliber can be employed to implement the strategy.

(iv) **We recommend the expansion of the Atlantic Tourism and Hospitality Institute presence in Eastern P.E.I.** It is recommended elsewhere in this report that ATHI play a key role in the "Technology in Tourism Pilot Project" initiative. This initiative, and potentially others, could be managed from the ATHI owned Canadian Golf Academy in Brudenell.

(v) **We recommend that UPEI/AVC, Holland College and the P.E.I. Food Technology Centre jointly conduct a detailed study on the skills required to advance an emerging bio-resources sector in P.E.I..** Growth in this sector could be accelerated by establishing a training Centre of Excellence which would provide specialized training at technical and/or post graduate levels. In addition the centre could leverage selected research opportunities and work with private sector companies to facilitate new business development/expansion. P.E.I. has an emerging and highly innovative bio-resources sector and it is an opportune time to establish a training Centre of Excellence in Eastern P.E.I..

(vi) **We recommend that other opportunities be investigated relative to knowledge economy training.** Distance education, technology (niche opportunities), leading edge pilot type projects related to literacy training and new approaches to providing internship type skills to students in high schools are all areas which could be studied further. (See - Resources Sector Apprenticeship Pilot Initiative)

Other niche training opportunities will emerge over the next five years. Urban centres in Eastern P.E.I. must be more proactive in attracting educational institutions (particularly in niche areas) and their related research capabilities to the Region. The presence of educational institutions is not a total solution. However, these institutions are the "natural resources" of the knowledge economy and their presence will lead to new opportunities for alliances and partnerships with existing private sector companies. In turn, this leads to a range of new business opportunities and indirect economic benefits.

B. We recommend that Eastern P.E.I. become more Proactive in Engaging Correctional Services Canada, UPEI/Atlantic Veterinary College, Holland College and the P.E.I. Food Technology Centre in Research-Based Economic Development Initiatives

New opportunities have emerged because the role of Universities, Colleges and publicly funded research centres in Canadian society has changed dramatically in the last five years and this presents opportunities where Eastern P.E.I. can participate.

During the next five years educational institutions will play an increasingly important role in economic development initiatives in Canada. One of the most urgent matters to be addressed in implementing this economic development strategy is to increase the presence of post secondary educational institutions in Eastern P.E.I.. As noted above there are opportunities to locate new niche training centres in Eastern P.E.I.. In addition, there will be opportunities to engage the above-noted institutions in research activities in Eastern P.E.I.. Accomplishment of these goals will require an understanding of the current situation. In this regard the following points are relevant:

- In October of 1998 the Prime Minister's Advisory Council on Science and Technology established an expert panel on the Commercialization of University Research. The mandate of this expert panel was to present a vision and implementation strategy to maximize the economic and social returns to Canada from public investments in university research. The resulting report was released in May, 1999 and covered many detailed strategies and recommended courses of action. The Chair of the panel reported "In a global knowledge-based economy, Canadians' standard of living is driven by our capacity to create and successfully apply new knowledge. To succeed in the 21st century, Universities need to become a driving force in translating new scientific discoveries into new economic and social opportunities for Canadians across the country".
- The Government of Canada has increased funding programs for post-secondary institutions research and development initiatives and sharply increased the focus on commercialization of research.

- Government of Canada economic development programs are now heavily skewed towards research, new product development and innovation agendas. This is in response to the importance being placed on developing a more innovative and knowledge intensive economy.

- There is a strong trend developing whereby private sector companies partner with universities, colleges and government research centres on research and development projects. By their nature research and development initiatives often cover a five to ten year period, they are very costly and they often involve a high proportion of salary expenditures (e.g. 60% to 70%). For example, the first round of proposals in September of 2001 to the new Atlantic Innovation Fund included 195 proposals with an average project cost of $6,000,000. The majority of the project proposals involved research partnerships between educational institutions and private

sector companies. Simply put, this is "where the action is" in economic development in Atlantic Canada.

- Accessing Government funding for research initiatives is not a simple process. Applications/proposals are very technical and often involve complex business arrangements, alliances or partnerships. The process is always extremely competitive. P.E.I. is fortunate, however, to have several well respected and innovative research and educational institutions to advance the P.E.I. research agenda. In fact, we are relying heavily on these institutions to bring research initiatives to P.E.I.. UPEI, the Atlantic Veterinary College, Holland College and the P.E.I. Food Technology Centre are competing against the largest schools and the most respected researchers in the country. The challenge our research and educational institutions are tasked with is made increasingly difficult by the fact that researchers in other provinces can also draw upon rich provincial research funding programs to top-up federal dollars. Even though the odds are against our smaller P.E.I. institutions they have already begun to establish a strong presence in the Canadian research community with UPEI and the Atlantic Veterinary College having recently been awarded funding for several large research projects.

- Currently UPEI, AVC, AVC Inc., the P.E.I. Food Technology Centre, and Holland College through its' various specialized training centres, are all working on new and exciting research projects which could potentially receive federal and provincial research funding. Over the new five years these institutions will continue to develop new proposals and hopefully bring new research initiatives to P.E.I..

We recommend the establishment of the following research initiatives that could have some, or all, of their activities centered in Eastern P.E.I.:

(i) **A Research Project with a Focus on Distance Education:** Due to advances in technology, distance education has begun to emerge as a new training approach which can achieve results similar to those of instructor-led classroom based training. Distance education is, however, more cost efficient (in terms of travel, time etc.), more accessible and can be delivered as and when needed. The effective delivery of this kind of training requires further research and development of best practices/technologies for each specific application.

(ii) **A Research Project with a Focus on the Utilization of Marine and Plant Resources:** Marine and plant resources-based research (e.g. new uses of products, nutraceuticals, natural products, taxanes, specialized processes, related environmental issues, sustainability, etc),

(iii) **A Pilot Initiative with a Focus on the use of technology in our tourism and hospitality industries.**

(iv) **A Research Project with a Focus on health, home care and the use of technology to improve health care in rural areas, etc.**

C. **We recommend that the Communities of Eastern P.E.I. establish a Community-Led Task Force to Address the Digital Divide Issues and to Accelerate the Development of an Innovation Culture in Eastern P.E.I.**

After reviewing some of the challenges surrounding the development of new technology business in Eastern P.E.I. (see Section 8.0) it is evident that it is a daunting task to suggest strategies which will result in economic growth in this sector. The reality is, however, that Eastern P.E.I. cannot afford to remain on the sidelines. Communities and local development entities must be innovative, pro-active and willing to accept risks in answering the challenge.

A strategic vision must be developed and strong leadership must come from the larger communities in the region. The Town of Montague could take a lead role in establishing an influential, forward-thinking and action-oriented technology task force.

It is critical that urban centres in Eastern P.E.I. have access to the best available fibre optics. (See Discussion in Section 8.0 - Communication Infrastructure) In the coming years communities without a first-rate telecommunications infrastructure will not even be considered as potential locations for many businesses. The Government of Canada in its innovation paper released in February 2002 has now committed to having broadband across Canada by 2005. Eastern P.E.I. through the leadership of this task force and with the assistance of Technology P.E.I. and the Department of Industry should push to be an early pilot area for this initiative.

D. We recommend that Eastern P.E.I. aggressively pursue a more Substantial Government Presence in the Region

Government decisions as to where to locate their employees is perhaps the most direct form of government assistance/intervention. Government offices result in capital construction or the lease of space and more business for existing retail operations, hotels, restaurants, services businesses, gas stations, grocery stores, etc. Eastern P.E.I. must continue to aggressively lobby for provincial and federal government jobs. High priority areas of focus should be new government functions/entities with a technology orientation as these types of activities have the maximum potential to leverage other knowledge economy initiatives and/or private sector investment.

E. We recommend that Eastern P.E.I. aggressively pursue the establishment of a New Customer Contact Centre in the Region

Customer contact centres are now establishing new locations in areas where there is an available work force which is the primary factor in determining where these businesses locate. A good example of an area which has had recent success in this sector is Cape Breton, where the availability of a work force has resulted in E.D.S. now employing approximately 1,500 people in Sydney and Port Hawksberry. These centres can provide an excellent starting point for young people and offer year round employment. Clearly, Eastern P.E.I. has a workforce which could support such a centre.

It is through a combination of initiatives such as those detailed in this five point plan that more "knowledge intensive" businesses will begin to emerge in Eastern P.E.I..

10.9 INITIATIVES TO ENHANCE DIVERSITY IN THE RESOURCE BASED SECTORS

The Need for Diversification, Change Management and Innovation

The demand for knowledge-based skills in the resource based sectors is growing rapidly, at both the primary production level and the processing level. This growing demand is driven largely by issues and concerns with respect to productivity, the environment, food health, worker safety, and business management. Global

competition and depressed commodity prices demand greater productivity from farming, fishing and processing operations. At the same time these business operations face rising costs driven by constantly changing, more stringent legislation and regulation with respect to worker safety, food hygiene and environmental issues.

Historically, farmers, fishermen and processors have proven to be very adept at squeezing out productivity gains by more efficiently growing and harvesting crops and by more efficiently managing primary processing operations, however, they have been less successful in product innovations which could lead to greater diversification and adding more value to our raw resources.

Private sector fishery and agri-food business in Eastern P.E.I. do not currently have access to the necessary facilities nor do they possess the skills and financial resources to advance an agenda which calls for substantive change and diversification in resource sector products and practices supported by intensive research and development aimed at commercialization of new and innovative products and processes. Failure to advance and support an agenda of diversification, change management, research and innovation will eventually condemn these businesses to stagnation or decline in the fiercely competitive global marketplace. **We recommend two initiatives to address the challenge of diversification and innovation in our resource sectors: (A) The establishment of a Resource Sector Research Incubator and (B) a Crop Diversification and Processing Initiative for organic products.**

(A) A Resource Sector Innovation Initiative Which Would Help Our Resource Based Businesses Diversify and Expand

Generating sustainable economic development in the resource based sectors economy will require a "marriage" of the experience and entrepreneurship of the private sector with the knowledge, skills and research facilities of the public and academic sectors.

We recommend the establishment of an Resource Sector Research Incubator facility in Eastern P.E.I., to be jointly funded by the federal and provincial governments which would help our many resource based businesses diversify and expand. The Stratford Business Park (see Section 10.12) with its rigorous development standards would be a potential site for this facility. The Research

Incubator would be linked with and complementary to the P.E.I. Food Technology Centre and UPEI/AVC, providing research, processing and administrative capabilities for the purpose of developing and commercializing new products and processes with the objectives of diversifying these sectors and adding significant value to underutilized raw resources. As examples, this initiative could help Eastern P.E.I. participate in an emerging biotechnology sector in Atlantic Canada. Presently this sector is immature; quite fragmented and represented by pockets of activity in each province. In P.E.I. most of the activity is centered around UPEI/Atlantic Veterinary College and includes companies such as Diagnostic Chemicals Limited, Fortius Natural Nutrition, Cobequid Life Sciences Ltd. (Aqua Health Group Progressive Genetics Systems) and Atlantic Fish Health Inc. Others such as A/F Protein Canada (Aqua Bounty Farms) are located in Eastern P.E.I..

The biotechnology sector is in an early stage of development and offers strong potential for further economic growth. Biotechnology is the applied use of living organisms or their components to make or modify products, to improve plants or animals and to develop micro organisms for specific uses. The definition therefore includes techniques and processes for improving existing plants and livestock practices, the development of new uses for plants and livestock as well as new biological advancements in protein engineering, cell fusion and genetic engineering. Biotechnology is in many respects not a separate industry in itself. It is new knowledge which can be applied to emerging healthcare products and processes as well as traditional agri-food, fishery and aquaculture sectors.

Development of a research incubator will require a substantial planning effort and requires a strong community lead but it should be pursued. The fact that the NRC has recently completed a technology road mapping study related to the potential establishment of an NRC Centre of Excellence in P.E.I. is highly relevant and could in our opinion - if implemented - have some positive economic spin-offs for Eastern P.E.I..

(B) A Crop Diversification and Processing Initiative (Organic Flour Milling)

It is critical to the economic future of the Region that the private sector (farmers, food processors) and government strategically integrate business initiatives with public policy and legislation.

The market for organic foods in Canada and the United States has and will continue to grow at a rate significantly greater than any other segment of the food market. A

report prepared by the Market Research Centre of the Canadian Department of External Affairs and Trade (DFAIT) estimates the U.S. market for organic and natural food sales to be as high as $20.0 billion annually, growing at a rate of 15% - 18% annually. While Canadian organic food sales have increased by approximately 20% per year since 1992.

We recommend a crop diversification and processing initiative for organic products which includes the construction of a plant facility for milling organic flour from certified organic grains. The proposed mill could be devoted exclusively to the production of organically certified product to capitalize on the predicted substantial growth in the market for organic products and to attract new local growers to the industry. Such as milling facility could employ approximately 25 persons and could be expected to increase to approximately 40 - 45 positions by the end of year five of operations.

From a provincial perspective, the proposed mill will encourage crop diversification and longer crop rotations by providing an outlet for organically certified grains while absence of chemicals and synthetic fertilizers will further provincial goals with respect to the preservation of clean air and water. The presence of a milling facility for organic grain will also encourage and facilitate the conversion to organic production methods for interested potato growers within the province. The transition from importing the bulk of raw materials from other Canadian provinces, where supplies are now readily available, to sourcing the bulk of raw materials locally could take a decade or more. Nonetheless, the presence of an organic milling facility in the province is an important and necessary first step to diversifying crop production and capitalizing on an important consumer trend in the global food market.

10.10 VALUE ADDED PROCESSING INITIATIVES

The need to add greater value to the Region's raw and semi-processed agricultural and fisheries resources has been emphasized throughout this report. As an example, the Region has a large and vibrant seafood processing industry, however, the industry has in the past focused its marketing strategy on the production and sale of relatively low value, semi-processed products which, in the global marketplace, are essentially commodities i.e. high volume products with little or no product differentiation to set them apart from competitor's products, and consequently yielding razor thin profit margins. The events of September 11, 2001 have simply reinforced what the industry already knew - seafood processors must move away from mass production for mass consumption to new, diversified, innovative product lines. Key

to this strategy are substantial improvements in packaging and processing equipment and techniques, a sharper focus on food safety and product presentation and a re-targeting of markets to by-pass the broker system and reach the retail consumer through distributing directly to capable, high-end retailers. Executing this strategic shift in market focus will require processors to develop brands for retail consumption and/or develop private label business with mass retailers (e.g. Sobey's, Loblaws, Shop & Save (U.S.), etc.).

We recommend that government assist established food processors in acquiring the packaging and processing equipment necessary to produce innovative value-added, branded products utilizing Island resources and targeted to the high-end retail consumer market.

Another opportunity to add significant value to the Region's food processing sector lies with the Region's only vegetable processing facility. Currently, this facility processes a variety of locally-grown vegetables to a very primary stage. Product is either fresh-cut for P.E.I.'s institutional market or cut and shipped to secondary processors (off-Island) for blanching and freezing. To add significant value and volume to its processed output this vegetable processor requires the installation of a bulk commercial freezing system and storage. Adequate freezing capacity would allow the processor to penetrate the bulk frozen vegetable market with a number of variations, blends and sizes of cauliflower and broccoli (e.g. cuts, florets, chopped, pearls, fines, etc.) and to add value through blending, meal assembly in partnership with other food processors or custom freezing and re-packing.

The problem of insufficient freezing and frozen storage capacity is not unique to this particular vegetable processor. Freezing and/or frozen storage facilities in P.E.I. currently appear to be inadequate to handle peak or near-peak season production of a number of key products such as lobster, vegetables and french fries. Consequently, Island processors are often forced to move product to off-Island storages, adding considerably to their costs of production and distribution and making them less competitive in extremely competitive domestic and international markets. In other instances, processors cannot produce a full range of products because of the lack of on-line freezing capacity.

We recommend that government commission a study to determine the need for additional multi-purpose freezing and/or frozen storage capacity and to determine the economic benefits which might accrue to food processors through incremental value-added production capabilities and/or reduced

storage costs. If considered economically beneficial, we recommend that government partner with private sector food processors in the Region to construct a multi-purpose freezing and frozen storage facility.

10.11 CENTRE OF INNOVATION FOR FIN FISH AQUACULTURE

Overview

Fin fish aquaculture is a relatively new and underdeveloped industry on P.E.I. and in Canada although it has been growing globally at rates in excess of 15% per year. Reports have been produced that indicate there are opportunities, under the right conditions, to develop and successfully market various types of speciality fin fish. Work is proceeding across Atlantic Canada (particularly in N.B. and NFLD) on a number of species and the level of activity is steadily increasing. There is an opportunity for P.E.I. to be at the forefront of this development in selected species for eastern Canada and globally.

In many respects the basic building blocks for future growth in the research, development and commercialization of fin fish aquaculture are already in place in Eastern P.E.I.. These include several well established private businesses and the facilities at the Cardigan Fish Hatchery operated by AVC Inc. for the Atlantic Veterinary College. The College is well known locally and internationally for its fish health and aquaculture expertise and the Cardigan facilities represent an excellent opportunity for the application of that expertise in researching and developing commercial fin fish aquaculture for Eastern P.E.I. and elsewhere.

An Opportunity to Build on Our Strengths

An opportunity exists for AVC Inc. in cooperation with the Atlantic Veterinary College and established private sector businesses to research and develop valuable brood stock for a selected number of commercially viable fish species. As is the case with other food animals such as poultry and swine, it is essential to continually develop and protect the genetics being used in the production system. It takes considerable time to carry out this development because of the animals biological and reproductive cycles. However, once developed and protected, the new animals represent a real competitive advantage to producers which may not be easily duplicated and should therefore be sustainable. AVC Inc. is currently holding several valuable species for

development in Cardigan but lack the facilities and other resources to successfully proceed to commercial development.

AVC Inc., in cooperation with engineering and fish health researchers at U.P.E.I. has also been researching the refinement of water re-circulation technology for use in intensive land based fin fish aquaculture. These systems allow for significantly increased growth rates, better use of valuable water supplies and are environmentally friendly. Although there are re-circulation systems currently in use this is a relatively new technology and, it is believed, could be significantly improved. There is currently a demonstration research system in use at Cardigan.

The potential combination of high quality brood stock and the availability of efficient re-circulation systems has prompted AVC Inc. to explore the viability of partnering with interested entrepreneurs to establish a number of "satellite" grow-out operations for Arctic Char. These growers would also be provided with the necessary training, advice and the benefit of bulk feed purchases. The market fish would be purchased back from the grower for processing and marketing. Such a system would allow for the production of sufficient volumes of fish for effective marketing.

The magnitude of the challenge posed by developing this new economy industry exceeds the capabilities of any individual company or a still immature industry. The challenge can only be met by industry, academia and government acting in concert. Without the creation of a Centre of Innovation for Fin Fish Aquaculture (or some similar entity) to bring these elements together with a common focus, it is unlikely that that such an industry would develop. Successfully developed, benefits would include direct and indirect employment in fish and feed production, processing, distribution, processing, and marketing. The expertise of the Atlantic Veterinary College, including AVC Inc., the existing facilities and genetic stocks at Cardigan and an emerging cluster of private sector businesses provide the essential building blocks for such a Centre.

We recommend the establishment of a Centre of Innovation for Fin Fish Aquaculture in Cardigan. This initiative represents a unique, significant and time limited opportunity for Eastern P.E.I. to build upon existing strengths in this sector and create a sustainable competitive advantage which could lead to long term economic growth. Successful implementation will require an innovative partnership between AVC, AVC Inc. and existing private sector businesses.

10.12 RESOURCE SECTOR APPRENTICESHIP PILOT INITIATIVE

The current misconception is that our resource-based businesses are low or medium knowledge activities. The reality however, as noted previously in this strategy, is that while some positions do fit in this category most resource based businesses now require new economy technologies and skills to operate in an increasingly competitive global marketplace. There is an increased emphasis on productivity gains, new uses, value-added products, environmental issues, safety, marketing and management. In Eastern P.E.I., resource based sectors are the mainstay of the economy. They employ the majority of our workforce and account for the majority of our exports. It is critical to note that while the demand for labour has generally not increased, the skills demand in these sectors has not remained static. Employment numbers overall are stagnant, however, there is a growing demand for more skilled workers/owners as knowledge-based technologies are adopted. The reality is that a student who drops out of high school to seek employment in the resource sectors has far fewer options now than he/she had ten years ago.

This particular initiative must be taken in the context emphasized throughout this strategy - economic growth in Eastern P.E.I. will be achieved not by creating entirely new sectors but through the transformation and diversification of existing sectors and this transformation can be accelerated by engaging P.E.I. educational and research entities.

We must find ways to ensure that those young people who want to work in resource based industries have the necessary skill sets to help these businesses become more successful.

During the preparation of this report discussions were held with senior managers of Holland College who introduced us to several new pilot initiatives under development which could begin to address the skills shortages concerns and while concurrently addressing the serious issues of high school drop-outs and illiteracy. We refer to this initiative as the Resource Sector Apprenticeship Pilot and it has the following features:

- High School students entering grade 10 who have an interest in working in a resource-based sector such as agriculture could enroll in the apprenticeship pilot program.

- Students would be required to take their core courses in grades 10, 11, and 12, however, they would complete the Resource Sector Apprenticeship instead of taking elective courses.

- During the summer months (between grades 10 and 11 and between grades 11 and 12) students would complete work placements. The students would be paid while on their work placements, potentially with the support of Human Resources Development Canada. Progress would be evaluated by a Program Coordinator.

- At the completion of grade 12 the student could (a) move into the labour market, (b) enroll in a post secondary degree program or (c) enroll in a new Holland College Resource Apprenticeship (e.g. Agriculture) diploma program.

A program such as this could achieve a number of objectives, including:

(1) Decrease high school drop-out rates (P.E.I. currently has the highest high school drop-out rate in the country).

(2) Provide employers with a better skilled labour force capable of addressing the challenges emerging from environmental, technological, marketing and food quality issues.

(3) Assist with the transition of resource-based businesses from one generation to the next.

(4) Introduce students to new concepts in areas such as food safety, new uses, natural products, marketing in global markets, product diversification, environmental management and entrepreneurship.

(5) In the longer term, assist existing resource based businesses to become more innovative while encouraging students to further their education.

We recommend the implementation of a Resource Sector Apprenticeship Pilot Initiative for Eastern P.E.I.. This initiative will require the active participation/assistance from the P.E.I. Departments of Education, Agriculture and Forestry and Development and Technology, the Eastern School Board and Human Resources Development Canada.

This is a long-term opportunity and the vision must be clearly established at the outset. The vision must recognize that this initiative is part of the overall goal of transformation of resource based sectors in Eastern P.E.I. by building on inherent strengths and existing competitive advantages.

10.13 INITIATIVE TO ACCELERATE DEVELOPMENT OF AREA BUSINESS AND INDUSTRIAL PARKS

(A) Souris Food Park

Souris Food Park is located on a 45 acre site adjacent to Souris waterfront and offers free land, a modern infrastructure of paved roads, electrical services, etc. and access

to modern, comprehensive waste treatment facilities. Although promoted as a "food park" there is no apparent reason why compatible non-food manufacturers, processors or other value-added service providers should not be encouraged to locate in Souris Food Park. At present Polar Foods International (the Babineau plant) and AgraWest Foods are the only tenants. Built at a cost of over $20.0 million, Souris Food Park is a valuable but underutilized asset.

We recommend that immediate steps be taken to aggressively market the Souris Food Park facility. A leadership role should be played by P.E.I. Business Development's prospecting unit and adequate funding for at least a three year period should be provided to:

- **Research and, if appropriate, re-define Souris Food Park's target market.**
- **Employ a full-time, skilled prospector to promote Souris Food Park.**
- **Provide an adequate travel and promotion budget for the prospector.**
- **Create a strong marketing program supported by creative sales and promotional materials and market research capabilities, to aggressively promote Souris Food Park's industrial park amenities and the Region's infrastructure, resource base and life-style attributes.**

industrial parks located throughout North America aggressively pursuing new business opportunities and offering similar benefit packages. The Poole's Corner Business Park must market itself not only on its amenities and tax incentives, but on the Region's infrastructure, resource base and life-style attributes, if it is to succeed in a fiercely competitive market.

(C) Stratford Business Park

Stratford Business Park is located in the rapidly-growing Town of Stratford and situated on 72 acres of land adjacent to the Trans-Canada Highway with convenient access and proximity to Charlottetown and to Eastern P.E.I.. The Park complements the Town's high quality residential and commercial developments by using development standards promoting high quality architectural design and building materials incorporating attractive landscape features.

Permitted uses in the Stratford Business Park include light manufacturing and assembly, warehousing, wholesale operations, R & D operations and complimentary professional and services uses. Knowledge based businesses would consider the Park to be an extremely attractive location as considerable care is taken to promote a "village" atmosphere (as opposed to an "industrial" atmosphere) with generous recreation areas and green spaces.

Phase I of the Stratford Business Park is now complete. The Town intends to pursue development of Phase II at a cost of approximately $1.0 million. Phase II will have a strategic market focus on research and technology-based industries. Funding is expected to be partially accessed through a variety of federal and provincial sources including ACOA's Atlantic Investment Partnership and P.E.I. Business Development, together with marketing assistance through Industry Canada programs. The Stratford Business Park's highly-focused development standards and quality location make it a particularly good fit for some of the research, technology and knowledge-based economic development strategies suggested in this report.

We recommend that a comprehensive strategy be developed which incorporates current best practices models to accelerate the development of the Souris Food Park, the Poole's Corner Business Park and the Stratford Business Park.

11.0 RECOMMENDATIONS FOR IMPLEMENTING THE FIVE YEAR STRATEGY

11.1 COMMUNITY LEADERSHIP

Implementation of this strategy will require strong leadership from the Region's largest urban centres including Stratford, Montague, Souris and Georgetown as well as from local economic development groups. There are numerous references in this report to specific projects/initiatives which will require community leadership and a proactive and forward looking approach. While we refer to "community" leadership it will undoubtedly be the efforts of a few "leaders" within these communities that make a difference in Eastern P.E.I. over the next five years.

11.2 ESTABLISHMENT OF AN ACOA SUB-REGIONAL OFFICE IN EASTERN P.E.I.

To accelerate the implementation of this strategy we recommend that ACOA (including Tourism Atlantic) establish a new sub-regional office in Eastern P.E.I.. These staff members would be mandated to work with development organizations, communities and private businesses in Eastern P.E.I. to review and advance strategic projects and initiatives. Staff could be assigned responsibility for specific sectors/initiatives in this strategy.

11.3 REMANDATING ACTIVE COMMUNITIES INC.

Prior to 1996 Eastern P.E.I. did not have a single development agency to represent the entire region; rather, there was a wide range of local economic development and special interest organizations. Many of these entities received various forms of government support to finance on-going operations. Although some were quite effective many of these organizations were small and narrow in focus. A government commissioned study by Gardiner Pinfold, titled A Review of the Structure and Role of Community Economic Development Organizations in P.E.I., resulted in the discontinuance of funding for these local economic development entities and the establishment of one regional development agency (RDA) representing all of Eastern P.E.I.. Funding under a joint Federal/Provincial Regional Development Agreement (REDA) was then provided to the newly formed regional development organization.

The RDA established for Eastern P.E.I. was Opportunities East Inc.. Opportunities East Inc. was then followed in 1998 by the current RDA - Active Communities Inc. - which was also funded under the REDA until March 31, 2001; the date on which the REDA ended. Since that date the Province of PEI has discontinued funding and ACOA has, on an interim basis, agreed to fund Active Communities Inc.. The Province of P.E.I. has, however, hired several community development officers in Eastern P.E.I. to work with private sector companies and community organizations such as Active Communities Inc.

Active Communities Inc. operates in the "grey zone" between government and the private sector and, as such, this entity can play an important role in helping to implement/finance capital projects. The establishment of the Atlantic Welding and Fabrication Institute in Georgetown is a good example of a project where Active Communities Inc. was instrumental in securing financing for the project by constructing the building and leasing it back to the Institute. Active Communities Inc. also operates a successful loan program to assist local small businesses. The continuance of this function is important to the continued economic development of Eastern P.E.I..

We recommend the following organizational structure and strategic direction for Active Communities Inc.:

(A) The primary focus of Active Communities Inc. should be project development and capital financing (including the management of the small business loan program).

(B) To be effective Active Communities Inc. must have long term funding commitment. In light of the fact that the Province of P.E.I. is no longer funding this entity ACOA should commit to a new five-year funding agreement. As a condition of this agreement, Active Communities Inc. should develop a new action plan which would include organizational, human resources and financial strategies.

(C) Given the nature of the projects/initiatives recommended in this strategy the Board of Directors of Active Communities Inc. should be remandated.

(D) Active Communities Inc. should have a three to five member Board of Directors and three new ex-officio, non-voting members representing Holland College, UPEI/AVC and the ACOA sub-regional office. The inclusion of these ex-officio members is recommended because of the integral role these organizations will play in advancing the various initiatives/strategies included in this strategy. Board members should be appointed by ACOA.

(E) Active Communities Inc. and the ACOA sub-regional office should be co-located and must work together to advance this economic development strategy.

(F) A remandated Active Communities Inc. and the ACOA sub-regional office must be proactive in assisting local volunteer-based organizations in Eastern P.E.I. with their efforts to advance a wide range of exciting projects throughout the Region.

(G) Successful implementation of this strategy will also require a remandated Active Communities inc. to work closely with the local Member of Parliament to advance the projects and initiatives included in this strategy.

11.4 CONCLUSION

Successful implementation of this strategy will require strong community leadership. It will also require the active participation of a new ACOA sub-regional office, the Province of P.E.I. and a newly mandated Active Communities Inc.. Finally, implementing this strategy and keeping the momentum going in Eastern P.E.I. will require continued strong political leadership.

APPENDIX 1

SURVEY OF YOUTH IN EASTERN P.E.I.

Introduction

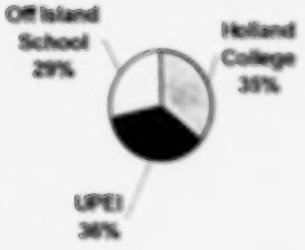
During the preparation of this strategy we developed a questionnaire specifically designed to gather input from the youth in the region. We visited Grade 12 classes in Montague, Souris and Morell and 78 students completed the questionnaire. Some questions were very specific while others were open ended. The results are very informative and are summarized as follows:

Plans for Post-Secondary Education

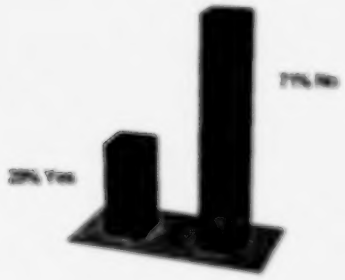
The vast majority of students plan to continue their education after high school and most plan to stay in P.E.I. to further their education. We caution readers however all of these students may not actually attend a post-secondary institution. This analysis reflects their intention at this point in time only.

Students who did not plan to attend university or college (9% of respondents) provided very little information regarding future employment plans. Of the 91% of students who plan to attend university or college only 29% plan to live at home while they study. This of course will result in higher costs for students during these years. Proximity to university/college and travel costs were contributing factors in the low number of students who plan to live at home.

Where students plan to continue their education

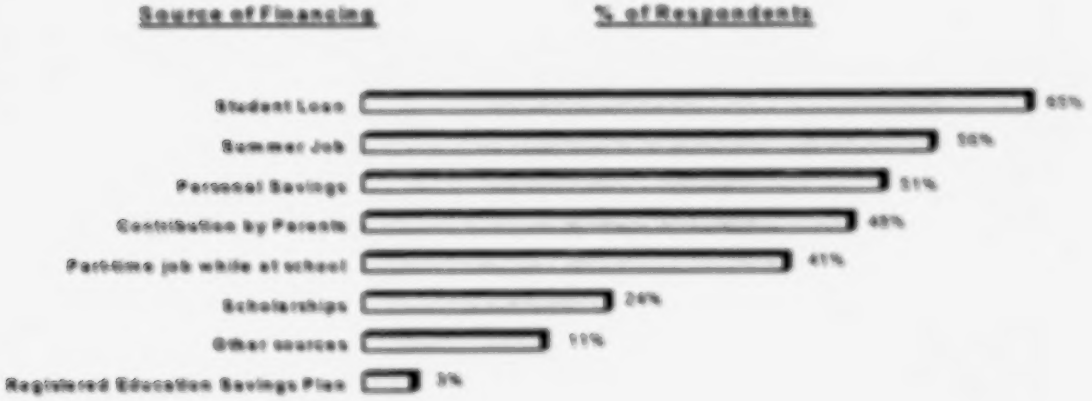


Percentage of students planning to live at home while attending university/college



Plans for Financing Post-Secondary Education

We asked students how they intended to pay for their post secondary education. We instructed students to assume an annual cost of $10,000 and to consider a variety of financing sources. Not surprisingly, 65% of respondents will have to incur debt to finance their education. Most will also rely on summer jobs and/or part-time employment while they are at school.



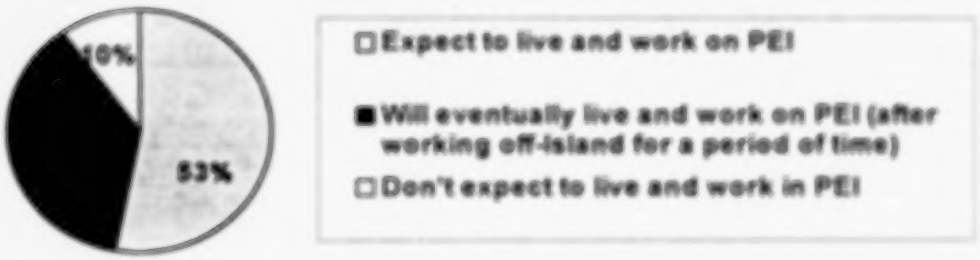
Education Patterns - Other Family Members

We also asked students to identify whether or not their older brothers or sisters had attended university or college. In summary, 70% of the siblings listed had attended a post-secondary institution and 65% of these had attended an institution on P.E.I. 97% of respondents whose older siblings continued their formal education plan to do so themselves.

Long-Term Work Plans/Eventual Residency

We asked students what their expectations were regarding where they will eventually live and work after they had completed their education. The results of the survey indicated that 53% of student respondents wanted to work and live on P.E.I. (If there is a job in their chosen field). Very interestingly, an additional 37% indicated that they eventually wanted to work in P.E.I. but only after working off-Island for same period of time. The average expected time "away" ranged from one year (1) to thirty (30) years, with five (5) being the average. Only 10% of students indicated that they wanted to work off-Island and do not expect to eventually return to P.E.I.

Student expectations regarding where they will eventually live and work


10%
53%
Expect to live and work on PEI
Will eventually live and work on PEI (after working off-Island for a period of time)
Don't expect to live and work in PEI

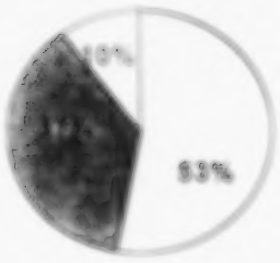
Education Patterns - Other Family Members

We also asked students to identify whether or not their older brothers or sisters had attended university or college. In summary, 70% of the siblings listed had attended a post-secondary institution and 65% of these had attended an institution on P.E.I. 97% of respondents whose older siblings continued their formal education plan to do so themselves.

Long-Term Work Plans/Eventual Residency

We asked students what their expectations were regarding where they will eventually live and work after they had completed their education. The results of the survey indicated that 53% of student respondents wanted to work and live on P.E.I. (if there is a job in their chosen field). Very interestingly, an additional 37% indicated that they eventually wanted to work in P.E.I. but only after working off-Island for some period of time. The average expected time "away" ranged from one year (1) to thirty (30) years, with five (5) being the average. Only 10% of students indicated that they wanted to work off-Island and do not expect to eventually return to P.E.I.

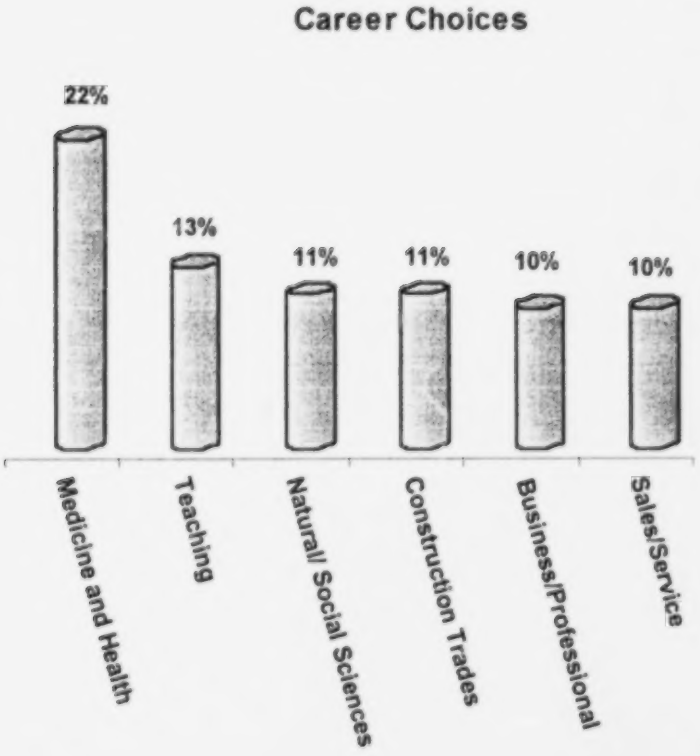
Student expectations regarding where they will eventually live and work



- Expect to live and work on PEI
- Will eventually live and work on PEI (after working off-Island for a period of time)
- Don't expect to live and work in PEI

Career Plans

Although it was not practical to list all possible career choices, we did present students with fifteen (15) generalized classifications and asked them to indicate which job category best described the area in which they expected to work. In order of highest response rate the top six career choices are illustrated below:



It was very interesting to note a strong tendency towards medicine/health and natural/social sciences as these careers often requiring post-graduate training. We found these results to be extremely insightful in that students are clearly indicating to us where they believe strong opportunities exist for future employment. These career choices are consistent with the forecasts of leading economic strategists. These indications are positive for the following reasons:

- an aging population will place new demands on healthcare systems and will consume a wide range of new medical/healthcare products and services
- an emerging biotechnology sector
- an increase in training and life-long learning requirements
- an increase in the average age of teachers in P.E.I.
- a demographic in the trades/construction sector which is already resulting in worker shortages in Canada
- a new global economy requiring well trained business administrators and professionals

There were response rates of less than three percent in areas such as clerical and related, processing, transportation and primary industries.

Twenty-seven percent of respondents stated that they intended to become an entrepreneur and own their own business. In our view this is a very positive indicator.

Qualitative Considerations in Selecting Careers

We also asked students to rank the most important factors they considered when deciding on a career path. Overwhelmingly students indicated that **"Quality of Life"** was the most important consideration with 55% of respondents indicating it was the their strongest consideration when deciding on a career. "Earnings Potential" and "Range of Opportunities Offered" were important considerations (both at 22%). Interestingly enough "status" did not receive any votes.

Sectors of Importance

Students were asked to rank the most important sectors of our economy where Federal and Provincial Governments should focus future economic development initiatives. The following sectors were identified as important priorities.

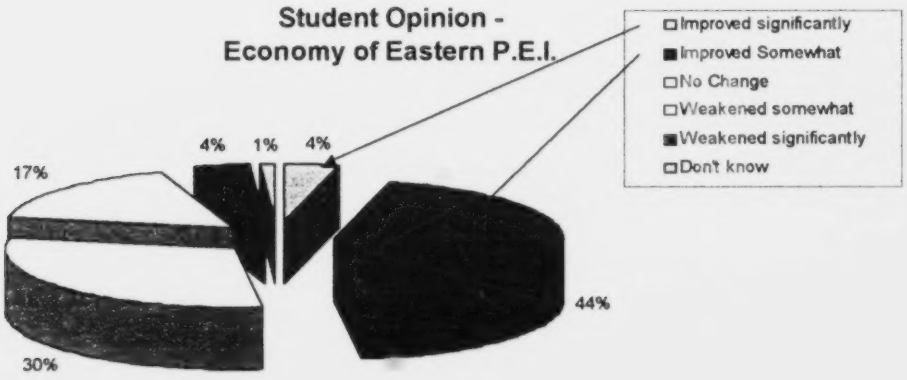
Tourism	*28%*	*Forestry*	*7%*
Agriculture	*24%*	*Other*	*7%*
Fishery	*14%*	*New uses for our Bioresources*	*5%*
Information Technology	*11%*	*Aerospace*	*4%*

It is interesting to note that the traditional agriculture, fishery and tourism sectors were highlighted; this is however inconsistent with the career choices students selected. Of particular interest was the recognition of the importance of forestry and the emerging new uses for our bioresources sector.

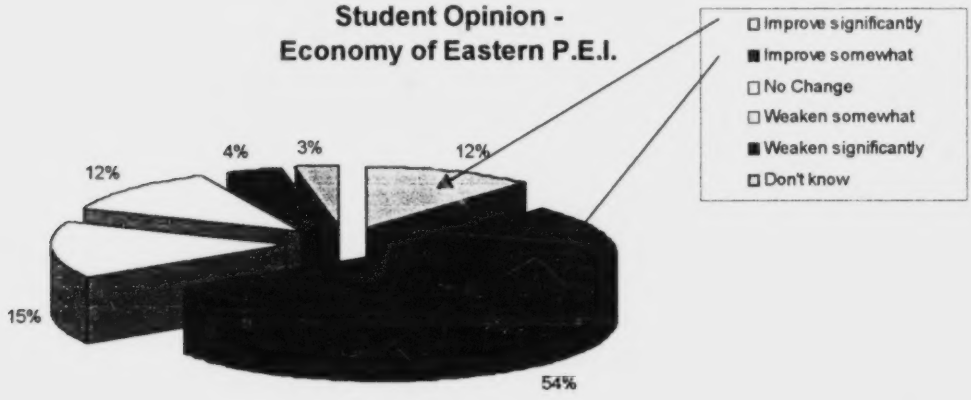
Measuring Student Confidence in the Economy of Eastern P.E.I.

As a measure of current confidence in our economy, past performance, and their own outlook on the future we asked students for their opinions on two statements:

*During the **past** five years the financial situation for a typical family in Eastern P.E.I. has....*



*During the **next** five years the financial situation for a typical family in Eastern P.E.I. will....*



Clearly students have confidence in the present situation and results over the past five years and are very optimistic about future economic growth. Sixty-six percent believe that during the period from 2002 to 2007 the economy of Eastern P.E.I. will improve somewhat or significantly.

Student Perspectives - Important Initiatives

We asked students what kind of initiatives/projects/programs should Federal and Provincial levels of government invest in to help our young people. The most common response was **to lower the cost of post-secondary education by :**

- lowering tuition
- offering more scholarships and financial assistance
- offering incentives for students to go to UPEI or Holland College and then stay and work in this province

Other priorities identified included having **a variety of programs and places for teens** (sports, drop in centre, cinemas) and having **more permanent and summer jobs available** in the area.

The views expressed by the youth of Eastern P.E.I. provided extremely useful input which helped us develop several of the strategies in this report.

APPENDIX 2

QUOTES FROM QUESTIONNAIRES AND INTERVIEWS

(1) Low Education Levels and Illiteracy

"programs such as Grade 12 equivalency and skills training are important.....but emphasis must be placed on keeping tomorrow's workforce in school and reducing the need for such programs".

"should be training programs for people in the middle to work their way up.....pull people up through the system rather than push them".

(2) Impediments To Economic Growth

"remoteness from skilled labour pools.....seasonal attitude of workforce.....a lot of people don't want full-time employment".

"transportation links, local infrastructure are not adequate"

"we've become EI dependant"

"too heavy a focus on primary industries and not enough balancing with other opportunities"

"global trend of necessity of being low cost producers".

"lack of zoning (regulations), haphazard development".

"poor roads, over-taxation of small businesses, lack of skilled work force, lack of major industry".

"lack of diversification in agricultural industry".

"sparsely populated, long distance from markets"

"don't have the level of knowledge and skills to participate in the new knowledge economy.

(3) Competitive Advantages Within Region

"encouraging attitude from all levels of government".

"absolutely fabulous coastline, waters and views, great soil for specific crops".

"trainable workforce, vacant land, base for eco-tourism, great beaches and golf courses, good ports".

"great place to raise a family, quality of life second to none".

"available seasonal workforce, can be converted to year-round if employment available".

"seafood and aquaculture - ability to be low cost producers.....lower labour costs than most other manufacturing centres".

"suitability of existing land base to produce a wide variety of products for export".

(4) Suggested Strategic Initiatives/Projects

"investments in projects which allow diversification from potato production, projects which complement existing industries".

"exporting hay, hay processing plant, hay storage would boost farm incomes".

"support existing successful enterprises to expand markets, diversify product lines and lower production costs".

"develop attractions that fit "green plan" e.g. Souris Waterfront Boardwalk, upgrade Confederation Trail".

"windmills for electricity - Spry Point is one of windiest places in P.E.I.".

"expand Orwell Corner, museums, recreate watermills, illustrate life as it was 100 years ago".

"create aquaculture Centre of Excellence at Cardigan Fish Hatchery, with support of AVC and UPEI".

"food processing focused on high-end organic and natural foods market".

"aquaculture training initiative at Cardigan Fish Hatchery".
"expansion of eco-tourism sector".

"revitalize downtown Souris and its waterfront".

"food production facilities using Island brand as signature".

"research facilities associated with the university".

"prisons are big business.....running a prison is a 24 hour/7day/52 week activity.....provides long-term employment for varying skill levels".

(5) Global Markets/Global Competition

"global competition dictates that businesses must become low cost producers".

"technology infrastructure - paramount in today's business environment".

"lack of competitiveness due to distance to market, high production costs, inefficient and unskilled workforce".

"tourism opportunities are available to Eastern region as a result of world events".

"events of last few years re potatoes and mussels are examples of our vulnerability".

"both a threat and a benefit.....we are a small producer.....able to shift easily to meet changing market needs.....must have a solid technology base".

(6) Creating Wealth Through Diversification, Research, New Product Development, High Knowledge Sectors

"greater return on investment by assisting proven industries to innovate and diversify, as compared to investing in unproven innovations".

"overwhelming support for new tourism initiatives that do not negatively affect our natural environment".

"constant emphasis on job creation as a criteria for investment is the wrong approach".

"recognize the fact that we do not have the skilled workforce to do this (participate in high knowledge sectors)".

"there should be an inventory made of underutilized skills in the region.....people with

strong skills are doing basic labour due to lack of local opportunities".

"focus on bringing academic positions to Eastern P.E.I. .....Holland College has a small presence and UPEI/AVC has only the Cardigan Fish Hatchery".

(7) Ferry Services, Port Services

"major improvements are not a priority, however, maintaining present level of service is important".

"ferry traffic doesn't stop in Eastern P.E.I.....debatable how big a priority.....Souris has to be made more interesting to ensure cars (Magdalene Island ferry) stop there".

"a tourist ferry service should be initiated from Souris to Port Hood in Cape Breton".

"we need an improved location for visitor information at Wood Islands.....people don't like to back-track to the information centre.....they just come off the ferry and head for Charlottetown".

"the ferries are a priority"

"the ports (Souris and Georgetown) are key to building a value-added export business based on local resources".

(8) Attracting New Business To The Region

"need tax relief, waive government fees such as building permits, offer wage subsidies".

"tax-free zones should be expanded, equalize the cost of telephone services for the entire Island".

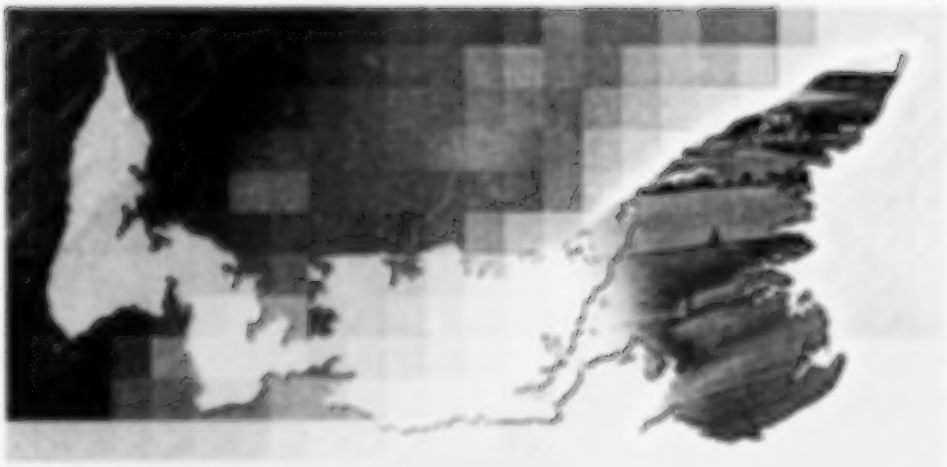
"the Business Park at Poole's Corner is a good first step".

"we need to put some time, effort and money into promoting under-utilized assets such as the Souris Food Park".

"offer free land and a 5 year property tax holiday to viable business prospects".

"create a single agency to promote the entire region.....we can't wait for business to come to us, we must find it and bring it here".

"creating tax free zones in established communities - not in business parks"



Stratégie quinquennale de

DÉVELOPPEMENT ÉCONOMIQUE

pour l'Est de l'Île-du-Prince-Édouard

Accélérer la cadence

Canada

1.0 RÉSUMÉ

1.1 UNE ÉCONOMIE AMÉLIORÉE ET UN AVENIR PLUS PROMETTEUR

La situation économique de l'Est de l'Île-du-Prince-Édouard (« l'Est de l'Î.-P.-É. » ou « la région ») s'est beaucoup améliorée au cours des six dernières années. Cela s'explique, du moins en partie, par la mise en oeuvre très fructueuse de la stratégie de développement économique de 1995. Le sentiment de frustration et de désespoir qui existait dans la région en 1995 semble avoir fait place, en majeure partie, à un sentiment d'accomplissement et d'optimisme pour l'avenir. Grâce à l'affectation efficace des ressources et des fonds du gouvernement, jumelée à l'initiative et aux investissements du secteur privé, la région a connu une croissance économique importante et soutenue. Depuis 1995, l'Est de l'Î.-P.-É. a diminué son taux de chômage, a augmenté ses niveaux de scolarité et d'alphabétisation, a maintenu ses services de traversier et ses services portuaires essentiels, a favorisé la création et la croissance de nouvelles entreprises et industries, a modernisé et amélioré ses infrastructures de base et a observé l'expansion de bon nombre de ses entreprises et industries existantes. Les principaux secteurs économiques, notamment l'agriculture, le tourisme, la fabrication et la transformation des aliments, ont été stimulés par des initiatives et des projets nouveaux emballants qui ont contribué à inculquer des attitudes plus positives aux résidants et aux collectivités de la région. L'avenir économique de celle-ci suscite un nouveau sentiment d'optimisme.

1.2 CHANGEMENTS STRATÉGIQUES DE L'ORIENTATION

L'agriculture et la pêche sont les principaux secteurs axés sur les ressources naturelles dans l'Est de l'Î.-P.-É. et ont toujours constitué les piliers économiques de la région. Nul doute que ces secteurs assureront encore une assise solide à l'économie de celle-ci. Cependant, il est maintenant évident qu'à long terme, la croissance économique de la région ne pourra pas reposer seulement sur la récolte des ressources et la transformation primaire. Il faut absolument ajouter plus de valeur aux ressources premières de la région si l'on veut assurer une croissance économique durable.

Un changement stratégique dans l'orientation et la priorité de la politique de développement économique s'impose. Tous les paliers de gouvernement et le secteur privé doivent maintenant canaliser leurs énergies et leurs ressources pour propulser dans le XXIe siècle l'économie de la région qui est axée sur les ressources naturelles. À cette fin, il faudra adopter des politiques audacieuses, s'engager à financer à long terme l'éducation, la formation axée sur des compétences, la recherche et les technologies de

l'information et assurer le développement commercial des pratiques exemplaires et des produits novateurs qui permettront d'ajouter une valeur appréciable à la solide base de ressources de la région.

Souvent, les investissements à court terme dans l'éducation, la recherche et l'innovation ne sont ni rentables ni gratifiants sur le plan politique. Les secteurs public et privé doivent faire preuve de patience et de persévérance pour suivre le plan d'action établi et établir la culture et l'infrastructure axées sur le savoir qui permettront de transformer et de valoriser l'économie de la région qui est liée aux ressources naturelles. Dans certains cas, cela peut prendre de cinq à dix ans pour produire des résultats apparents et assurer une croissance économique durable dans la région.

1.3 DESCRIPTION DE L'ÉTUDE ET DU MANDAT

L'Agence de promotion économique du Canada atlantique (APECA) a retenu par contrat les services de MacIsaac Younker Roche Soloman et de MacPherson Roche Smith & Noonan pour étudier et élaborer une stratégie quinquennale de développement économique à l'intention de l'Est de l'Île-du-Prince-Édouard. En résumé, le mandat de l'étude qui leur a été confiée s'énonçait comme suit :

- revoir et mettre à jour la stratégie quinquennale de développement économique de l'Est de l'Île-du-Prince-Édouard, qui était datée du 31 mars 1995, en ce qui concerne les données socio-économiques, les progrès réalisés sur le plan de la promotion et de la réalisation du développement économique durable, les progrès liés aux enjeux fondamentaux (y compris l'éducation et l'alphabétisation), les services de traversier et les services portuaires, ainsi que l'expérience et la capacité de mise en oeuvre;

- recenser et classer par ordre de priorité les secteurs offrant un potentiel élevé de développement économique durable, et trouver des projets/initiatives viables dans ces secteurs;

- analyser les besoins en financement des secteurs public et privé et la viabilité des initiatives/projets recommandés sur le plan stratégique;

- élaborer et recommander des stratégies efficaces de développement économique et de mise en oeuvre;

- évaluer la pertinence, l'efficacité et les capacités de mise en oeuvre des organisations communautaires existantes, ainsi que le caractère adéquat et l'efficience de la présence du gouvernement fédéral dans la région, et

recommander des mesures réalistes visant à accroître cette présence pour servir plus efficacement la région.

1.4 PROFIL SOCIO-ÉCONOMIQUE

L'Est de l'Î.-P.-É. continue d'accuser un certain retard par rapport aux autres régions de la province et au reste du Canada dans les comparaisons de nombreux indicateurs socio-économiques, même si les écarts se rétrécissent dans certains domaines. Quelques constatations clés sont présentées ci-après.

- Selon le recensement de 2000 (Statistique Canada), entre 1996 et 2000, la population totale de l'Est de l'Î.-P.-É. s'est accrue de 0,3 %; cependant, la population du comté de Kings a diminué de 1,9 % tandis que celle de l'Est de l'Î.-P.-É. à l'extérieur de ce comté a augmenté de 3,4 %.

- La population de la ville de Stratford a connu une hausse de 7,6 % entre 1996 et 2000, tandis que celles de Montague et de Souris ont diminué de 2,5 % et 3,5 %, respectivement.

- La plupart des collectivités de l'Est de l'Î.-P.-É. comptent un pourcentage supérieur de résidants de plus de 65 ans par rapport aux autres régions de la province et au reste du Canada. Les exceptions notables à cet égard sont Stratford, Georgetown et Cardigan dont les pourcentages sont tous inférieurs aux moyennes de la province et du pays.

- Dans l'Est de l'Î.-P.-É., seulement 46 % des adultes ont un niveau de scolarité supérieur aux études secondaires.

- À l'Î.-P.-É., le taux d'abandon des études secondaires est de 16,4 %, comparativement à 12 % dans le reste du Canada. Le taux d'abandon chez les femmes dans la province correspond à celui des autres régions et s'établit à 9,2 %; cependant, le taux d'abandon chez les hommes est beaucoup plus élevé, soit 22,3 %.

- Au cours des cinq dernières années, la présence du gouvernement fédéral dans la région de l'Est de l'Î.-P.-É. s'est accrue sensiblement, mais elle accuse encore beaucoup de retard par rapport à la région de l'Ouest et à la région de Charlottetown, comme l'indiquent les chiffres ci-dessous.

Sommaire des emplois du gouvernement fédéral à l'Î.-P.-É. par région

	Nombre estimatif d'emplois - 1995		Nombre estimatif d'emplois - 2001	
Région				
Région de Charlottetown	1 600	67 %	2 070	69 %
Région de l'Ouest	750	31 %	810	27 %
Région de l'Est	50	2 %	120	4 %
	2 400	100 %	3 000	100 %

1.5 ÉLABORATION DE LA STRATÉGIE

La stratégie de développement économique exposée dans le présent rapport a été élaborée grâce à une participation locale intense sous la forme de réponses à des sondages sur le développement économique, de rencontres de concertation, d'entrevues individuelles et de présentations écrites. Un grand nombre d'études récentes commandées par les organismes de développement économique de la communauté ont été examinées et ont fourni des éléments précieux.

Outre la participation locale à grande échelle, les consultants ont analysé les stratégies de développement économique suggérées et mises de l'avant pour l'ensemble de la région de l'Atlantique par les secteurs public et privé. Un effort conscient a été fait pour emboîter les stratégies de développement économique recommandées pour l'Est de l'Î.-P.-É. avec celles qui étaient recommandées et mises en oeuvre pour l'ensemble de la région de l'Atlantique afin de tirer profit de l'effet de synergie d'une stratégie régionale cohérente et du flux de financement en provenance des secteurs public et privé dans le cadre des stratégies régionales.

1.6 ENJEUX D'IMPORTANCE FONDAMENTALE

Plusieurs enjeux clés ont été déterminés comme étant d'une telle importance fondamentale que la réussite de la mise en oeuvre d'une stratégie de développement économique dans l'Est de l'Î.-P.-É. en serait grandement tributaire. Il s'agit notamment des enjeux suivants :

- Au minimum, maintien à leurs niveaux actuels des services portuaires et de traversier, dont l'importance est vitale.

- Investissements substantiels et continus en vue d'augmenter les niveaux de scolarité et d'alphabétisation et d'augmenter les compétences

professionnelles.

- Investissements substantiels et continus en vue de l'intégration des initiatives de développement des compétences et des connaissances dans des projets réalistes de développement économique.

1.7 NÉCESSITÉ D'ÉLABORER DES STRATÉGIES VISANT À AIDER NOS INDUSTRIES DU SECTEUR DE L'EXPLOITATION DES RESSOURCES NATURELLES À SE DIVERSIFIER ET À DEVENIR PLUS INNOVATRICES

Voici un résumé des enjeux et des défis de nos secteurs fondés sur les ressources :

- L'économie de l'Est de l'Î.-P.-É. est grandement tributaire de la vente de ressources brutes et semi-transformées, dont les sources d'approvisionnement se trouvent en quantités limitées ou tendent à disparaître.

- Les entreprises commerciales comptent sur la récolte et la semi-transformation des pommes de terres, les secteurs du homard, des moules et des produits du bois étant devenus des entreprises à risques en raison de la volatilité des conditions du marché international, de l'inconsistance de l'approvisionnement, des difficultés environnementales, des entraves au commerce international, du protectionnisme étranger et des difficultés liées à la des aliments et aux maladies.

- Les producteurs et les transformateurs locaux se sont montrés très ingénieux dans l'élaboration et la mise en oeuvre de nouveaux procédés et de nouvelles technologies en vue d'améliorer l'efficacité de la croissance, de la récolte et des pratiques de transformation; toutefois, ces innovations ont porté surtout sur la minimisation des coûts afin de maintenir un seuil de rentabilité, et non pas sur la création de nouveaux produits et sur l'innovation.

- La concurrence internationale de plus en plus forte justifiée par les gains de productivité, découlant souvent des faibles taux salariaux et des fortes subventions, a substantiellement érodé la marge bénéficiaire de la plupart des marchandises.

- On ne peut assurer une croissance viable qu'en utilisant une plus grande proportion des ressources produites localement dans le cadre de la production à valeur ajoutée.

- Les problèmes environnementaux continuent d'accroître les risques liés à

l'exploitation d'entreprises de production primaire et de transformation en raison de la hausse du coût des investissements et des coûts de fonctionnement et du renforcement de la responsabilité imposée aux entreprises.

- L'avenir de la croissance économique découlant des ressources naturelles nécessitera l'application de nouvelles technologies et d'importants investissements publics dans la recherche et le développement des connaissances et des compétences. D'importants investissements en capital de risque provenant des secteurs public et privé seront nécessaires pour découvrir de nouvelles utilisations des ressources, de nouveaux produits, de nouvelles initiatives de recherche et de nouveaux modèles d'entreprises afin d'accéder aux nouveaux marchés par l'utilisation des communications de pointe.

- L'Î.-P.-É. dispose d'établissements de recherche, de formation et d'éducation qui ont fait leurs preuves relativement aux secteurs de l'exploitation des ressources naturelles de son économie, notamment le Centre de technologie alimentaire de l'Île-du-Prince-Édouard, le Atlantic Veterinary College de la UPEI, AVC Inc., le Holland College, l'Agence canadienne d'inspection des aliments et Agriculture et Agroalimentaire Canada. Ceux-ci constituent les « outils de transformation » et doivent être utilisés aux mieux de leurs possibilités.

- Le principal défi consiste à déterminer le meilleur moyen d'accélérer la création d'entreprises axées sur le savoir qui ajoutent de la valeur aux ressources traditionnelles ou font appel à l'inventaire diversifié et unique de bio-ressources de la région. La création d'une nouvelle richesse à partir de ces ressources limitées, sans nuire à l'environnement, nécessitera des politiques audacieuses ainsi que des initiatives et des investissements à risques élevés de la part des deux paliers de gouvernement et du secteur privé.

1.8 LE TOURISME - UN SECTEUR DE CROISSANCE

L'Est de l'Î.-P.-É. a connu une spectaculaire augmentation du nombre de visiteurs en séjours d'agrément de plus de 24 heures, passé de 83 000 en 1997 à 141 000 en 2001, soit une hausse de 70 %. Au cours de la même période, les dépenses de ces visiteurs ont plus que doublé pour dépasser les 4 millions de dollars en 2001. Cette croissance est assez remarquable compte tenu qu'au cours de la même période, le nombre de touristes a diminué d'environ quatre pour cent dans l'ensemble de l'Î.-P.-É. L'Est de l'Î.-P.-É. a connu une forte croissance sur tous les marchés clés, notamment les

Maritimes, le Québec, l'Ontario et la Nouvelle-Angleterre.

La reconnaissance de plusieurs tendances nouvelles est essentielle au développement d'une stratégie adéquate pour assurer la croissance continue du secteur du tourisme dans la région. Ces tendances sont notamment les suivantes :

- Le nouveau parc national de Greenwich permettra l'augmentation des dépenses des touristes partout dans la région.

- Le tourisme peut être accru et les retombées économiques augmentées grâce à l'amélioration des endroits existants et à l'établissement de liens entre ces endroits. La création de nouvelles destinations est difficile et coûteuse.

- La demande en matière de vacances actives, de voyages à caractère éducatif et de voyages fondés sur l'expérience continuera d'augmenter.

- Les vacanciers seront à la recherche d'expériences plus uniques, offrant des possibilités d'axer leur séjour sur les merveilles de notre milieu naturel.

- On assistera à une demande croissante d'activités spécialisées, telles que l'ornithologie, les excursions de pêche et les aventures d'éco-tourisme.

- De nouvelles possibilités naîtront dans le secteur du tourisme afin d'offrir des forfaits personnalisés de grand tourisme par le biais de la technologie informatique interactive et conviviale.

Ces tendances peuvent créer de nouveaux débouchés dans l'Est de l'Î.-P.-É., mais la région doit toutefois cultiver de nouvelles attitudes et adopter de nouvelles orientations stratégiques si elle veut continuer à compter sur ses forces inhérentes et miser pleinement sur ces nouvelles tendances.

1.9 L'ÉCONOMIE AXÉE SUR LA TECHNOLOGIE OU LE SAVOIR

L'« ancienne » économie reposait sur les ressources naturelles, les ressources matérielles, une main-d'oeuvre relativement non spécialisée et les usines industrielles. La « nouvelle » économie repose sur les connaissances spécialisées, la rapidité, les modèles commerciaux innovateurs et l'utilisation de technologies et de processus nouveaux. Au cours des dix prochaines années, la distinction entre les entreprises de l'« ancienne » et de la « nouvelle » économie deviendra de plus en plus floue puisque la technologie, l'innovation et les connaissances rassemblent les secteurs traditionnels et nouveaux de l'économie. Une stratégie de développement visant à générer une

croissance économique viable doit tenir compte des facteurs suivants :

- L'économie et ses marchés ont maintenant une envergure indéniablement mondiale.
- Internet continuera de modifier la manière dont les entreprises sont dirigées en leur permettant toutes d'avoir accès instantanément au marché international.
- Les connaissances et le talent seront les ressources les plus précieuses des entreprises et l'importance de l'éducation augmentera encore.
- Le rythme du changement continuera d'être rapide; le bouleversement des marchés se poursuivra et la concurrence ira en augmentant.
- Les personnes dotées d'un esprit d'entrepreneurship innovateur sauront saisir les occasions et créer la richesse.
- Les communautés rurales devront surmonter des défis encore plus grands en raison de l'émergence de l'infrastructure technologique et du capital humain en tant que pierres d'assise de la réussite du développement économique.

De manière à combler le fossé relatif aux connaissances et à la technologie dans la région (comparativement aux économies plus évoluées), des initiatives doivent être prises en vue de :

- se pencher immédiatement sur la problématique du « fossé numérique » (c.-à-d. l'élargissement du fossé entre l'infrastructure des technologies et des communications qui sépare les économies urbaines et rurales) puisqu'il faut mettre en place un système de télécommunications de premier ordre dans les régions rurales pour que celles-ci puissent être concurrentielles.
- Accroître la présence des établissements d'enseignement et de recherche de l'Î.-P.-É. dans la région.
- Aller chercher de nouveaux investissements technologiques ou de recherche grâce à la présence du Centre de recherche en toxicomanies du Service correctionnel du Canada

1.10 APERÇU DE LA STRATÉGIE QUINQUENNALE DE DÉVELOPPEMENT ÉCONOMIQUE RECOMMANDÉE

- **Orientation stratégique visant à miser sur les forces de l'infrastructure de la région,** notamment les installations déjà en place, les paysages, le littoral, les ressources humaines et les ressources naturelles terrestres et marines.

- **Orientation stratégique visant à miser sur la base de connaissances de la région** par le biais de l'investissement continu dans l'enseignement supérieur, l'alphabétisation et les compétences professionnelles, complété par des initiatives visant à attirer des établissements d'enseignement, de recherche et de formation qui viendront s'installer physiquement dans la région.

- **Orientation stratégique visant à ajouter de la valeur aux secteurs déjà matures de l'exploitation des ressources naturelles,** notamment l'agriculture, les pêches et la foresterie, en investissant dans les entreprises de transformation existantes et fructueuses afin de leur permettre de moderniser et d'améliorer leurs installations en vue de fabriquer ou de transformer de nouveaux produits à valeur ajoutée et de permettre l'innovation.

- **Orientation stratégique vers les nouveaux secteurs de l'économie en multipliant les forces actuelles des infrastructures du secteur de l'exploitation des ressources naturelles** (p. ex. les installations existantes, les ressources foncières et hydriques, les connaissances et l'expertise disponibles, etc.) en tant que moyens d'atténuer les coûts et les risques inhérents à l'entrée dans les nouveaux secteurs.

- **Orientation stratégique vers les projets ou initiatives permettant grandement de miser sur l'investissement du secteur privé, la hausse de l'activité économique ou les débouchés en matière d'emploi à temps plein destinés aux employés qualifiés** (comparativement aux emplois saisonniers et non qualifiés).

- **Orientation stratégique vers l'interdépendance de l'environnement et de l'économie,** en reconnaissant que l'avenir de la croissance économique des secteurs des entreprises primaires et touristiques de l'économie est grandement tributaire de la préservation et de l'amélioration de l'environnement de la région.

- **Orientation stratégique vers le maintien de la lancée économique** amorcée depuis 1995, en continuant à investir dans l'attrait de nouvelles entreprises et d'esprits brillants dans la région.

1.11 INITIATIVES STRATÉGIQUES PRINCIPALES

Le cadre de référence de l'étude exigeait que les consultants cernent les secteurs économiques les plus susceptibles de connaître un développement à long terme dans l'Est de l'Î.-P.-É. et qu'ils déterminent et classent en ordre de priorité les initiatives dans ces secteurs qui semblent revêtir une importance stratégique pour la croissance économique durable dans la région.

Les initiatives en question sont jugées conformes aux accents stratégiques précisés dans la stratégie quinquennale de développement économique recommandée (voir la section 9.0 du présent rapport). Elles sont classées en ordre de priorité selon leur capacité (1) de multiplier les effets (c.-à-d. création d'emplois qualifiés et autres retombées économiques) des investissements gouvernementaux; (2) d'exercer un effet d'entraînement dans l'ensemble de l'économie; (3) d'être viables et durables et/ou (4) d'attirer des investissements du secteur privé. Les initiatives stratégiques sélectionnées sont les suivantes (l'ordre n'a pas d'importance) :

- **Investissement de capitaux visant à établir des destinations touristiques**

  Établissement de nouvelles destinations touristiques « reliées » (ou amélioration considérable de destinations existantes) qui se distinguent par leur authenticité et par leur caractère éducatif et divertissant, qui offrent un produit de qualité supérieure et constante et qui se conforment à des normes d'exploitation élevées.

  Parmi les produits touristiques de grande qualité qui pourraient être reliés, mentionnons les suivants : Roma Historic Interpretive Centre, phare d'East Point, village historique d'Orwell Corner, Basin Head, Elmira Miniature Railway, destinations situées dans le sud des comtés de Kings et de Queens, expérience culturelle en milieu autochtone, expériences thématiques dans le secteur de l'aventure douce et entreprises privées au caractère unique.

- **Projet pilote de technologie au service de l'industrie touristique**

  Les personnes qui visitent l'Est de l'Î.-P.-É. sont en grande partie attirées par les établissements les plus renommés, mais bon nombre d'entre elles recherchent une plus grande variété d'attraits et d'activités. Dans le cadre du projet de technologie au service de l'industrie touristique, on souhaite interviewer les visiteurs dans les centres d'information afin d'établir leurs besoins et leurs intérêts, puis de les aider à créer leur propre itinéraire personnalisé au moyen d'outils technologiques interactifs et faciles à utiliser. Le projet permettra ainsi aux visiteurs de découvrir une gamme beaucoup plus vaste d'attraits, d'activités et d'endroits dignes d'intérêt dans la

région. Nous proposons que les gouvernements fédéral et provincial soient les parrains de ce projet pilote qui, s'il est couronné de succès, pourrait bien entraîner des retombées économiques pour toute l'Î.-P.-É.

- **Projet de modernisation du Garden of the Gulf Museum et de revitalisation du secteur riverain de Montague**

  Ce projet comprend deux volets. On prévoit, d'une part, élaborer un plan d'affaires détaillé qui doit comprendre, notamment, une prévision des coûts ainsi que les plans de financement et de mise en oeuvre relativement à la modernisation et à l'agrandissement du Garden of the Gulf Museum. D'autre part, on souhaite aménager des allées de promenade, revitaliser le secteur riverain, effectuer des travaux d'aménagement paysager et construire une passerelle entre le musée et la partie nord du secteur riverain de Montague, qui est déjà bien développée.

- **Projets de revitalisation du centre-ville et d'aménagement de la marina de Souris**

  Ces projets, qui font suite à la restauration réussie de l'édifice historique Matthew & McLean, prévoient l'aménagement d'une promenade dans le secteur riverain de Souris, la restauration de certains autres édifices historiques sur la rue Main et l'établissement, dans le port de Souris, d'une marina pouvant accueillir des bateaux de plaisance et servir à diverses activités récréatives.

- **Projet d'établissement d'un centre d'interprétation régional et d'aménagement du secteur riverain à Cardigan**

  Les résidants de Cardigan ont élaboré un plan de revitalisation du secteur riverain du village qui comprend l'amélioration des installations servant à la navigation de plaisance, l'établissement d'un centre d'interprétation mettant en valeur l'histoire et l'environnement de la région et offrant des services d'information aux visiteurs, de même que l'aménagement d'une promenade dans le secteur riverain. Le projet exige l'élaboration d'un plan d'affaires, le soutien indéfectible de la collectivité et l'investissement de sommes importantes de la part des gouvernements.

- **Projets d'infrastructures communautaires et de restauration de Quigley Hall de la St. Peters Development Corporation**

  Il s'agit principalement d'un projet d'infrastructures comprenant la restauration de Quigley Hall (propriété historique), l'aménagement du petit parc Bayside Landing (près de l'embranchement de la route de Souris) et d'une promenade ainsi que la construction d'une passerelle entre le centre d'information aux visiteurs et le centre

du village. Le projet a de bonnes chances d'attirer d'autres investissements du secteur privé dans la collectivité.

- **Collectivités ingénieuses - Plan en cinq points**

  Il faut de toute urgence se pencher sur l'incapacité actuelle de l'Est de l'Î.-P.-É. de saisir concrètement des occasions de développement économique dans les secteurs des nouvelles technologies et du savoir. À cet égard, cinq initiatives stratégiques sont proposées : (1) créer des occasions de formation spécialisée; (2) s'assurer, de façon proactive, la participation de Service correctionnel du Canada, de la UPEI et du AVC, du Holland College et du Centre de technologie alimentaire de l'Î.-P.-É. à des initiatives de développement économique fondées sur la recherche; (3) former un groupe de travail communautaire chargé d'aborder la question du « fossé numérique » et d'accélérer l'établissement d'une culture d'innovation dans la région; (4) déployer des efforts énergiques afin d'accroître la présence des gouvernements dans la région en ciblant particulièrement les fonctions et les organismes de technologie et de recherche; et (5) travailler énergiquement à l'établissement d'un nouveau centre de service à la clientèle dans la région. Nous recommandons en outre un certain nombre de projets individuels susceptibles d'appuyer l'initiative des collectivités ingénieuses. Le plan en cinq points et les projets / plans d'action recommandés font partie des éléments les plus importants de la stratégie.

- **Diversification du secteur des ressources naturelles et initiatives en matière d'innovation**

  Pour ajouter de la valeur au secteur des ressources naturelles, il faudra dorénavant mettre l'accent sur la diversification des ressources et la création de nouveaux produits, et non plus seulement sur la productivité et la rentabilité. Les possibilités de croissance dans le marché des produits primaires, où la concurrence est féroce, sont à peu près nulles pour les produits non transformés ou semi-transformés. La première initiative proposée à cet égard est la création d'un centre de recherche et d'incubation d'entreprises spécialisées en ressources naturelles. Le centre permettrait d'allier les connaissances, les compétences et les installations de recherche du secteur public et du milieu universitaire à l'expérience et à l'esprit d'entreprise du secteur privé. Le partenariat pourrait mettre de l'avant un programme de changements en profondeur et de diversification des produits et des pratiques agricoles et mener les travaux de recherche et de développement qu'exige la commercialisation de produits alimentaires et de processus novateurs. La deuxième initiative prévoit l'établissement d'une meunerie biologique qui poursuivra deux objectifs : favoriser la diversification des cultures et tirer profit du secteur alimentaire en plus forte croissance en Amérique du Nord et en Europe, celui des produits naturels et biologiques.

- **Initiatives de transformation des aliments à valeur ajoutée**

  Les initiatives recommandées sont des exemples d'investissements stratégiques dans les équipements et la technologie qui doivent permettre à l'industrie régionale de la transformation des aliments de pénétrer de nouveaux marchés et d'ajouter beaucoup de valeur aux simples produits semi-transformés. La première initiative aiderait les entreprises de transformation des aliments déjà établies à se doter du matériel d'emballage et de transformation nécessaire pour offrir des produits de marque variés, novateurs et à valeur ajoutée dans le marché du détail de haute gamme. Dans le cadre de la deuxième initiative, le gouvernement commanderait une étude portant sur le besoin manifeste des entreprises de transformation des aliments (et en particulier de légumes et de poissons et fruits de mer) d'accroître leur capacité en matière de congélation et/ou de chambres de congelés polyvalentes. Si l'initiative est jugée nécessaire et viable, elle pourrait également prévoir la conclusion d'un partenariat entre le gouvernement et des entreprises privées en vue de la construction et de l'exploitation des installations requises.

- **Centre d'innovation en élevage du poisson à nageoires**

  L'industrie de l'aquaculture est susceptible de stimuler considérablement la croissance économique dans l'Est de l'Î.-P.-É., surtout par le biais de l'écloserie de Cardigan, dont AVC Inc., division de l'Atlantic Veterinary College de la UPEI, est propriétaire-exploitant. Entre autres travaux de recherche scientifique en aquaculture, le personnel de l'écloserie examinerait certaines questions relatives au développement durable de l'industrie de l'élevage du poisson à nageoires à l'Î.-P.-É., notamment : la génétique, les taux de croissance, la nutrition et la résistance aux maladies. Il se pencherait aussi sur de nombreuses questions commerciales, y compris le développement des marchés, le maintien de l'approvisionnement et le développement de l'image de marque. Par ailleurs, des initiatives en matière d'aquaculture commerciale pourraient être mises en oeuvre en partenariat avec des entreprises privées établies.

- **Projet pilote d'apprentissage en exploitation des ressources naturelles**

  Par ce projet pilote, on veut remédier au manque croissant de main-d'oeuvre dans le secteur des ressources naturelles tout en réduisant le taux de décrochage au secondaire et en augmentant le niveau d'alphabétisation. On proposerait aux élèves qui commencent leur 10e année et qu'une carrière dans le secteur des ressources naturelles intéresse de s'inscrire à un programme d'apprentissage dans le domaine de leur choix. Les élèves suivraient quand même les cours obligatoires pour l'obtention du diplôme d'études secondaires. Les cours du programme d'apprentissage remplaceraient les cours à option des 10e, 11e et 12e années. Pendant l'été, les élèves effectueraient des stages payés (formation en cours

d'emploi). Après avoir obtenu leur diplôme d'études secondaires et terminé le programme d'apprentissage, les élèves pourraient entrer dans le marché du travail, s'inscrire à un programme d'études postsecondaires ou s'inscrire à un programme spécialisé de deux ans du Holland College, qui leur permettrait d'étudier dans le domaine de leur choix.

- **Parcs commerciaux et industriels**

  L'Est de l'Î.-P.-É. compte trois parcs commerciaux ou industriels de qualité supérieure qui regroupent des entreprises spécialisées dans des secteurs variés, tels que l'industrie légère et la technologie (Pooles Corner Business Park), la transformation des aliments (Souris Food Park) ainsi que les industries de technologie et de recherche (Stratford Business Park). Nous recommandons que le gouvernement mette davantage l'accent sur la promotion de ces installations (en ciblant de nouveaux marchés, au besoin) et qu'il développe les infrastructures nécessaires pour attirer de nouvelles entreprises dans les parcs de la région. Le marché nord-américain étant devenu très concurrentiel, il faudra promouvoir de façon intensive les entreprises de pointe et les parcs industriels de la région afin d'assurer la prospérité de l'industrie légère, de la transformation des aliments et des industries axées sur les technologies.

1.12 SUCCÈS DE LA STRATÉGIE

Le succès de la **Stratégie quinquennale de développement économique pour l'Est de l'Île-du-Prince-Édouard** dépend des mesures suivantes.

- Voir à ce que les collectivités et les intervenants de la région fassent preuve d'un grand leadership.
- Établir un bureau sous-régional de l'APECA au centre de la région.
- Obtenir la participation soutenue d'Active Communities Inc. pour l'élaboration des projets et le financement d'immobilisations (et notamment le maintien du programme de prêts aux petites entreprises).
- Renouveler le mandat du conseil d'administration d'Active Communities Inc. afin de faciliter la mise en oeuvre des éléments fondamentaux de la stratégie.
- Restructurer le conseil d'administration d'Active Communities Inc., dont le mandat a été renouvelé, pour que puissent y siéger de trois à cinq membres votants et trois membres d'office représentant le bureau sous-régional de

l'APECA, la UPEI / AVC et le Holland College, en reconnaissance du rôle essentiel que ces établissements doivent jouer afin d'assurer le succès de la **Stratégie quinquennale de développement économique pour l'Est de l'Île-du-Prince-Édouard**.